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# STRAIGHT BUSINESS IN SOUTH AMERICA

BY

JAMES H. COLLINS



D. APPLETON AND COMPANY  
NEW YORK LONDON

1920

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TO THE  
AUTHOR

PRINTED IN THE UNITED STATES OF AMERICA

TO  
CYRUS H. K. CURTIS

The final story growing out  
of one of his far-sighted and  
most interesting assignments

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## PREFACE

Most of our literature on South America is either rigidly practical or exuberantly optimistic. Official bulletins and technical works tell the business man how to sell goods on the Southern continent, but overlook other aspects of trade, such as buying, investments and the development of South American resources. Books of travel and diplomatic propaganda exhibit our Southern neighbors to the best possible advantage, but ignore hard facts with which the business man must deal, and which usually astonish him when he visits the Southern continent.

An effort has been made in this volume to tell the truth as our business men see it when they investigate for themselves. The truth is not always pleasant, but it can be told constructively, pointing out to Americans seeking business among our Latin neighbors their opportunities to assist in improving conditions.

Should the work interest Latin Americans, they are asked to bear this in mind: Such a book must necessarily be written from the national viewpoint of the visitor to their countries, and in this case the visitor has been concerned chiefly with correcting business faults and harmful conceptions of South Americans among business men of his own country. What may appear like criticism really amounts to a generous dis-

count off the fanciful North American conception of South America. When the North American business man finally knows that emeralds do not hang on the trees along the Avenida Rio Branco, and that the Avenida de Mayo is not paved with gold, then many of the difficulties in business between the two continents will disappear. Should sensibilities still be touched, let the Latin reader remember that every book of this kind must appear, to readers in the countries dealt with, like the distorted suggestion of a pattern on the underside of the tapestry—the real pattern appears to the audience for whom it was written.

“South America” and “Latin America” are both used in the text. The material, however, has been drawn entirely from five South American countries—Argentina, Brazil, Chile, Uruguay and Peru. A visit to these countries naturally gives warrant for deducing some general Latin-American traits—but not all! The reader will please regard the book as a view of Latin America from the South American standpoint.

The book grew out of a series of articles written for the *Philadelphia Public Ledger*, during an eight months' tour of the major South American countries. It is a rearrangement of material aggregating a quarter-million words, and also embodies conclusions formed after the leading Latin republics had been studied.

The author's thanks are due to the *Philadelphia Public Ledger* for permission to use material as well as to *Printer's Ink*, *Successful Banking*, the *Country Gentleman* and the *New York Tribune*, in which pub-

lications some of the material has also appeared in different form.

Credit is due for the historical material in Chapter XIX to William Spence Robertson's excellent *Rise of the Spanish-American Republics*, to Alfred Coester's *Literary History of Spanish America*, and for Brazilian historical material to Senhor Manoel Bomfim, the eminent Brazilian educator and scholar.

Thanks and appreciation should also be expressed to John Barrett, former Director-General of the Pan-American Union, for his personal interest and assistance; to the officials of the National City Bank of New York in South America for teamwork, and to the United States Trade Commissioners there; to Messrs. George Ethridge and W. Livingston Larned for pointing out the need for such an investigation; to the executive of a large world-trade corporation, who, through modesty, does not wish to be named, but who kindly read the manuscript and made valuable technical suggestions. Finally, an author's inevitable wife must not be overlooked—Mrs. Collins, in addition to all the secretarial work during an eight months' trip, with rather better than an article to be written every other day, and steamship trips averaging a week in between, also contributed a factor that many a business man would find invaluable in studying Latin-American possibilities—the viewpoint of a woman.

JAMES H. COLLINS.

NEW YORK.





# CONTENTS

CHAPTER	PAGE
I. WANTED—BUSINESS IMAGINATION FOR EXPORT . . .	1
II. WHAT SOUTH AMERICA IS LIKE . . . . .	17
III. WHAT THE PEOPLE AND THE COUNTRIES ARE LIKE . . .	31
IV. THE TOOLS OF THE TRADE—OUR OWN BANKS . . .	54
V. THE TOOLS OF THE TRADE—OUR OWN SHIPS . . .	69
VI. THE TOOLS OF THE TRADE—INVESTMENTS . . .	79
VII. THE TOOLS OF THE TRADE—DISTRIBUTION . . .	90
VIII. THE TOOLS OF THE TRADE—AMERICAN RETAILING . .	101
IX. THE TOOLS OF THE TRADE—AMERICAN CONSUMER ADVERTISING . . . . .	113
X. DOING BUSINESS WITH SOUTH AMERICA . . .	127
XI. WHY SOUTH AMERICA NEEDS CONTINENTAL METH- ODS . . . . .	148
XII. THE OTHER FELLOW—OUR COMPETITOR . . .	160
XIII. WHAT DO SOUTH AMERICANS THINK ABOUT YAN- KEES? . . . . .	175
XIV. THE IMPORTANCE OF BUYING AS WELL AS SELLING . .	187
XV. ABOUT "PICKING UP" THE SPANISH LANGUAGE . .	199
XVI. WHAT CHANCE FOR ME IN SOUTH AMERICA . . .	213
XVII. WHAT YOU WILL NEED IN SOUTH AMERICA . . .	224
XVIII. THE SOUTH AMERICAN FARMER . . . . .	239
XIX. WHO WAS WHO IN SOUTH AMERICA—PARAGRAPHS OF HISTORY . . . . .	250
XX. THE CANAL ZONE—A SAMPLE OF US . . . . .	269
INDEX . . . . .	287



# STRAIGHT BUSINESS IN SOUTH AMERICA

## CHAPTER I

### WANTED—BUSINESS IMAGINATION FOR EXPORT

It was the Old Man himself who discovered South America, and fell in love with the continent as a market for the surplus output the company must reckon with three years hence.

A week of conferences followed. Branch managers were hurriedly summoned from points as far as St. Louis. Those who could not reach the home office in time were consulted by wire.

"See that they get complete stenographic reports each day," directed the Old Man. "We want their criticisms. If we are going to do this thing at all, let's do it right."

The conferences were almost revivalistic. Nobody could be seen during the sessions, nor anything discussed but South America. New discoveries were made daily as they sat under the spell of its romance, its historic past, its inevitable future.

"Do you realize that Brazil alone is larger than the United States?" asked the Buffalo manager.

"Not only that," chimed in the sales director, "it has

one of the few great undeveloped cattle regions left on the globe."

"Cuba buys more paint per capita from the United States than any other country," announced the purchasing agent.

"Is that so?" exclaimed the Old Man. "More paint! Now, I never knew that!"

The new Director of Sales for South America told them many illuminating facts about the Latin republics. He was a capable young fellow who had been dug out of the organization of an export house. He had never been to South America, but had fitted himself by studying Spanish and handling important correspondence with Latin American houses. So he had friends there already, and his imagination was stirred by the possibilities in developing this new territory, for himself as well as the company. His pronunciation of Spanish terms awed the gathering and gave color to the discussions. Everybody offered him suggestions, which the Old Man insisted should all be written out.

They wound up Saturday night with a dinner at the club. Flags of the twenty Latin American Republics hung round the room, the first time any one there had seen them. A pianist played the national hymns of the different republics, which were also strange. The chef composed a South American menu, which included:

Chile con carne.

Arroz con pollo.

Ensalade de avocado.

Pasta de guayaba y queso de crema.

To be sure, the dishes did not reach beyond Mexico and Cuba, but it was a delightful affair, and everybody felt the romance of South America.<sup>1</sup>

Three months later the young man from the export house found himself cooling his heels in Rio de Janeiro, with the status of a Legal Nobody. (The Legal Nobody is something in natural history which must be

<sup>1</sup>For his South American dinner the chef might have served a "puchero," a Spanish dish widely popular on the Southern continent.

"Puchero" is the name of the glazed earthen pot in which the dish is cooked, and applies also to the delicacy itself.

It is a sort of boiled dinner à la Español, no more difficult to prepare than New England's staple dish, simply having more ingredients, and being cooked longer and more slowly.

A good-sized earthen casserole makes an excellent puchero, or any pot will do. You start with a cut of boiling beef or mutton, or a plump hen that will boil tender. That is the foundation. Put it in the casserole and add:

Whole cabbage.

Some slices of salt pork.

Some half-inch cuts of hard sausage—salami with the casing peeled will approximate the special Spanish sausage used for puchero.

Some one-inch cuts of soft liver sausage with the casing left on.

Peeled Irish potatoes.

Peeled sweet potatoes.

Turnips.

Carrots.

Spanish chick-peas (garbanzos).

Slices of winter squash.

Cuts of peeled banana, preferably green.

Some cooks add rice, green peas, lima beans, slices of green corn on the cob,—annatto, for coloring—there are as many kinds of puchero as there are seasons and localities in Spain. The chief point is to put in everything available, and plenty of that. Quantities are gauged so that each person to be served gets a portion of each ingredient. None but the heartiest appetites will come back for a second helping.

Put the meats, cabbage, carrots and turnips in the casserole or pot first, and stew them *gently* for one hour. Add the other ingredients and simmer until tender. Serve on a big trencher so the different ingredients can be seen and served easily, one of each thing to the plateful.

described later—it is better to see than be one.) He had made a very creditable start in Brazil. His Spanish helped him acquire some of the more difficult Portuguese. He had found customers and made a deal with a live import representative. But the home office in the United States had evidently forgotten him. He could not get orders confirmed, or information, or necessary documents. His letters and cables were unanswered—the only message he had received was to the effect that owing to shortages no goods could be spared for South America that year.

This picture may seem fanciful, but it fairly represents the way in which many American concerns embark in Latin American trade, and what happens afterwards. Hundreds of American salesmen and representatives on the Southern continent will confirm it—indeed the picture has been composed from their experiences and troubles. It is so much the outstanding feature of our new commercial interest in Latin America that the writer believes it is the thing to begin with, and put before American business men in strong terms, to see what can be done to correct it.

That any one should be romantic, but lack imagination, sounds like Chesterton. Yet that seems to be the paradoxical state of many American business men.

If their thoughts turn to Latin America they picture it romantically, the remoteness, the conquistadors, the palms, parrots and pirates, regarding the whole continent with the eyes of an adventure-loving boy.

But Latin America is not one great Spanish Main.

It is a complex. Romance may blind the eyes to facts. Not clearly visualizing the Southern continent, with its diversified peoples and climates, the business man soon loses interest, fails to back up his representatives, forgets all about the potential market like a tale that he read somewhere. Bluntly, he is splendid when he starts things in that quarter of the world, but the Briton, German, Italian, Frenchman and Spaniard beat him in at the finish because they stick, and he doesn't.

Let us examine this business romanticist a little further. It will be interesting and profitable to get at the bottom of him.

There is his one-sided way of speaking about, and thinking of, and seeking only export trade—usually termed “foreign” trade. In this he is not alone, however. It is one of our national characteristics. The statisticians at Washington constantly dwell upon our favorable export balances as an indication of prosperity, or wise administration, or something praiseworthy, even though these balances are largely fictitious, the difference between valuations of imports and exports.

Now, it is an interesting fact that the nations who have to live by exporting industrial products, and who are best organized for it, hardly ever consider exports by themselves. They lump in imports with exports, and become either happy or gloomy about their *external* trade, as last year's figures happened to go. Read John Bull's external trade figures, and you will find him pleased or downhearted about the grand total of raw materials received and manufactured goods shipped

abroad, and taking the aggregate as a measure of prosperity, as we might take our aggregate bank clearings.

When you lump the imports in with the exports, you see that selling our products is not the whole of this Latin American business. If people are going to buy from us they must have money, and they get money by selling their own products. The thing is reciprocal.

"Imports are necessary not only to pay for exports," says a New York merchant with years of experience in world trade, "but are indispensable to any industrial power. The more diversified the industry of a country, the more certain it is to require imported raw material. The steel, leather, textile, explosive and fertilizer industries of the United States are but a few of those to which South American materials are indispensable, or nearly so."

Every time we sell a dollar's worth of thumb tacks, or cheese, or barbed wire to Latin America, either we ourselves, or a Britisher, or an Italian, must buy a dollar's worth of wool, wheat, beef, coffee, chocolate, rubber or vegetable ivory.

And, lo! the figures show that we do buy a dollar's worth, and better. Taking a normal year like 1913; we sold Latin America \$330,000,000 worth of goods, and purchased \$477,000,000 worth in return. During fiscal 1918 we sold the ten South American countries \$307,000,000 worth, buying back from them nearly twice as much, \$565,000,000, and to the ten Central American countries \$411,000,000 worth of goods, taking \$457,000,000 worth of their products.

We have a comprehensive technical literature on



Latin America, but it deals almost entirely with exporting, faithfully reflecting our way of thinking about these neighboring countries—that we hope to sell them something, but have not paid much attention to the things they may have to sell.

Yet all the while we are buying their products. We spend more money in Latin America than any other country, taking over one third of all the products of the twenty republics.

The American business man who looks to Latin America for a market is different from the American business man who buys Latin America's products. The first is a romanticist and the second a hard-headed realist.

The seller is a manufacturer, a salesman, a creator of commodities, conveniences, comforts, a stimulator of demand through advertising and distribution. In business, he has dreamed dreams and seen them come true. Imagination enters into all his work and plans at home. He is not afraid to build air castles because, as Thoreau pointed out, an air castle is an excellent thing if you put foundations under it.

The buyer of nitrates, goatskins, wool, coffee and other Latin American products, on the contrary, is a merchant, a broker, a commission man who produces nothing himself. He neither imagined nor created Amazon rubber. He takes things as he finds them, in sacks and bales. Pounds, prices, freight rates, exchange, interest, delays, damage—these are the factors in his success or failure. Ever since commerce began he has been rendering his indispensable service, taking

things from the places where they are produced to the places where they are needed.

The romantic manufacturer forgets the failure of yesterday in creating something new to-day.

The realistic merchant doesn't forget—he takes a sharp knife and cuts the biscuit of Amazon rubber to be sure that he is buying no more stones at a dollar a pound.

The realist has to know Latin America to the extent of understanding its products—where and when the different things are gathered, and how, and the details of financing, shipping, protection against adulteration and deterioration, and the grading and final sale.

The romanticist can enter Latin America with an air castle. Business slackens at home. He turns to export trade. Probably by the time his salesmen make headway abroad, business is good again at home. His Latin American orders are skimped, and his connections neglected. He regards the Southern continent as an easy market for his surplus and seconds, a place where goods sell themselves without trouble or expense, to be entered any time by mailing a few circulars or catalogues. The department heads are called together, there is a "South American Week" at the home office, and the air castle is fabricated. But next week interest centers on something else, and South America is forgotten—the air castle never got its foundation.

The best old-style razor sold in Argentina before the war was of German make, with a trade mark established by years of familiarity. During the war an American razor of equal quality gained a foothold in

Argentina because nothing else in that line was obtainable by importers. Having taken the German trenches, the American razor concern could be certain of a counter-attack when the Germans were again able to ship goods. That called for consolidation of the position. The quick way, the right way, the American way to consolidate such a position is by consumer advertising. The razor concern had a representative in Buenos Aires not only capable of conducting such an advertising campaign, but earnestly advising that it be done in anticipation of the returning Germans. At home this corporation spends thousands of dollars monthly in consumer advertising, recognizing the printed word as the cheapest form of salesmanship. But in Argentina it would not even appropriate the price of a page in American magazines for a year's advertising campaign. It would not invest its profits on sales for two or three years to establish a reputation. Worse than that, it complained that Argentina had not purchased the arbitrary "quota" assigned to it from the manufacturer's office in the United States, a quota arrived at by ascertaining the population of Argentina, and then applying to it the percentage of sales in territory at home which had been cultivated ten years with consumer advertising and aggressive salesmanship.

Instance after instance might be given to illustrate this same inability to export imagination.

Not all American manufacturers are direct exporters, or have their salesmen or branches abroad. Indeed, it is claimed by export merchants that they carry on most of the world trade of our manufactured industries, tak-

ing care of shipping, credit, finance and other details which a manufacturer without a merchandising organization is not well equipped to handle. Even where manufacturers export directly themselves, they usually sell to merchant importers in other countries. This is true of even our largest corporations, which may maintain offices in the major countries, but do a vast amount of their world trade through export merchants in the United States when supplying smaller markets abroad. Business conducted along these lines, of course, means one more removal imaginatively, and greater handicaps in developing world markets on the intimate lines found successful at home.

Governments deal romantically with Latin America. Once the haunt of the privateer and freebooter after Spanish gold, now it is the happy hunting ground of the official mission. Cabinet ministers make their grand progress from country to country, shaking hands and eating dinners for a day or two at each capital. Warships in times of peace, being popularly regarded as idle equipment which might be working for their nations, are sent to visit Latin America in the interest of commerce. Commissions of government experts make their studies and recommend more government machinery in the interests of Latin American trade. Specialists make their studies singly, and write treatises full of general information and good counsel.

Our own government has probably done more along the latter line than any other. Its publications are encyclopedias covering every detail of How to Do It, and we maintain practically an industrial census bureau

in each of the leading Southern countries in our commercial attachés and special investigators.

The official mission is usually a junket, and may create more ill will than commercial friendship, for somebody is inevitably left out, or snubbed, and sometimes a sensitive republic passed by. Trade information compiled by specialists is useful if business men would act upon it. But these methods are open to criticism because they do not get close enough to real trade.

If governments spent money in things that the business man sorely needs, such as better postal service, the simplification and speeding up of customs routine, the weeding out of inexperienced and shifty exporters at home, and the adjustment of misunderstandings and damage claims abroad, their activities would be linked more directly with business actually being done.

Our romantic attitude toward Latin America is also due partly to the books and technical journals that have pictured its trade as something easy to get and manage. Manufacturers have been assured that exporting requires no particular skill, or organization, or even attention, but that their surplus goods, and even their damaged stuff, may be dropped into the export slot, and the money of the eager Latin American buyers will fall into their hands. This has encouraged dabbling in the trade without knowledge of Latin American countries, or even the disposition to investigate them. It has also brought into existence the mushroom export house in the United States, mishandling the products of manufacturers, and creating ill will for them in Latin America, where they should be dealing directly through

their own export departments. It has also facilitated competitive control of American goods. The manufacturer content to let his products take the easiest channel has often given Latin American territory to importers of other nationalities, whose purpose is not to sell and stimulate demand, but to get him out of the market, while deluding him with the notion that he is in it. This should not suggest that representatives of other nationalities are always untrustworthy. On the contrary, many of them are effective distributors of American goods in world markets, and preferable to mushroom export houses in the United States.

The "easiest way" may be downright dishonesty. The Yankee traveling on the Southern continent will run across business episodes that make him ashamed of some of his countrymen.

In Lima a public-spirited Peruvian was building out of his own pocket an opera house which in other Latin American countries would have been a municipal or national undertaking. Much of his material had been selected from American catalogues. He was outspoken in his admiration for our plumbing and lighting fixtures, our porcelains, encaustic tiles, synthetic products and safety devices. Among other things he had ordered theater seats in the United States from a fine sample—well finished semi-steel frame, leather upholstery and the monogram of his theater on its back. Cash payment for the seats was demanded before shipment. He got seats with rough cast-iron frames gaudily decorated, upholstered in imitation leather, without monograms. They were worth less than the

ones he had paid for. More than half of them were broken. Newspapers used for wrapping had stuck to the imitation leather. Two years' correspondence with the manufacturer led to no redress.

Some American manufacturers deal splendidly with the Southern continent. Their goods are adapted to the demand, skillfully distributed through branches or well-chosen representatives, and backed up with service. One interesting fact about these manufacturers is that they are large, the majority of them being "trusts." Another significant point is that they have grown to such size that it is necessary for them to seek markets in other countries, keeping their production at maximum volume to profit by the corresponding economies. It was estimated that fully seventy-five per cent of our manufactured exports to Latin America in 1913 were products of large corporations. This was partly accounted for by the fact that such corporations had capital to finance export trade, whereas smaller manufacturers were hampered by lack of capital and banking machinery had not yet been devised to aid them. These lines include electrical apparatus, locomotives and railroad equipment, cash registers, typewriters, phonographs and records, adding machines, office appliances and systems, clocks and watches, sewing machines, farm implements, mining machinery, toilet preparations and the like. The Chicago meat packers are among the leading American interests on the Southern continent. Our moving picture industry is also active, finding a profitable market for its surplus films.

Other American industries are unquestionably approaching the point where export sales will be a matter of necessity, not choice. The automotive industry has reached it already, and needs the Latin American market for its quantity-production passenger cars, motorcycles, trucks and farm tractors. To-morrow we will be seeking outlets for such diversified quantity-products as ships and cheese, motor boats and butter, machine tools and aniline dyes. The principle of the exportable surplus applies even to such a quantity-product as our news, which is now being cabled to Latin American dailies by our great news-gathering associations, bringing its profit in money, presumably, but a far greater return in acquaintance and favorable opinion.

The burden of complaint against our exporting in the past has centered on details—careless packing, ignoring of the customer's language, unfavorable credit terms, and so on. It is a familiar story, which the reader can doubtless complete.

But these shortcomings are symptoms, nothing more. They will disappear when the real disorder is understood and attacked. That is our ignorance about our customers abroad. In the matter of the Latin American market, we are ready to idealize the Latin American, and to expect great things from him in the way of buying demand. But we will not take the trouble to get acquainted with him, and his diversified countries.

"We are just about ready to begin exporting to your country," said an American manufacturer to an Argentine professor, his neighbor at a world trade



dinner. "Our house realizes that it must do something to help the Argentine."

"My dear sir!" exclaimed the Argentino. "We do not need help. Come and do business with us and make money. Make lots of money! That is the best business relationship between your country and mine."

Let any one going to Latin America as the representative of an American business house be guided by this viewpoint. Take our business astigmatism into account, and insist upon several things.

One, an ironclad contract binding the American business house seeking export trade to a consistent policy instead of a passing adventure.

Another, that the goods the representative is to sell in Latin America must be allotted to his territory, and nothing in the way of unforeseen demand or production difficulties at home be allowed to interfere with the shipments that are vital to his success.

Furthermore, that the selling effort in Latin America shall not cease with a few shipments, nor the first three months' activities, but be planned for several years, so that real connection can be made, and outlets created for the surplus of five or ten years hence, when they will be needed, and badly.

One of the best examples of the right way to set out was that of an automobile man who undertook South American distribution for a motor corporation entering that field for the first time.

The biggest sale he had to make was not in Rio de Janeiro or Buenos Aires, but before he started, to the executives of the corporation itself. When he set out,

the company could not fill the demand for its cars. Allotment of even a small number to South America required careful management, and endangered dealer connections at home. But the curve of production indicated a surplus in about three years. Because South America was clamoring for automobiles, that was the psychological time to set up an organization and give cars and service. Other motor manufacturers were dabbling with stray cable orders for a few cars, sent by South American importers who merely wanted to add automobiles to a diversified line of general merchandise. Through the experience of this representative, who was thoroughly acquainted with South America, a policy was developed, embodied in a contract, and carried out regardless of difficulties.

Not a few American business men assume that doing business on the Southern continent involves "educating" the Latin American to their products.

But, on the contrary, it is the American business man himself who is going to school—not a kindergarten where he will learn how to pack and ship for export, but a college where he will learn to lay out a broad executive world trade policy, and stick to it through thick and thin.

Over many an executive desk in this country hangs the familiar motto, "Do It Now."

In every business office having relations with South America, and world trade generally, a homely English saying should be substituted:

**IT'S DOGGED AS DOES IT!**

## CHAPTER II

### WHAT SOUTH AMERICA IS LIKE

A young Englishman went to Argentina, and fell in with the Methodists. They sent him to the United States to attend an international conference. He was the only delegate from South America. Our Methodists knew little about Argentina. He was a salesman. Tired of explaining in words, he took a map of South America, cut Argentina out bodily, and pinned it to a map of North America of the same scale.

"There—that is Argentina," he announced. "It reaches from Hudson's Bay to Mexico City. That is the kind of country I come from."

After which they admitted that it must be a real regular country, though they had never heard about it.

When it comes to South American geography, we Yankees are constantly making "howlers." There is the Congressman who wanted to know why Brazil couldn't send soldiers to France through the Panama Canal. And the old college chum who told an American in Rio de Janeiro to motor down some Saturday afternoon and see their friend Bill in Montevideo—a little trip of about the distance from New York to Kansas City, with not a mile of road. And the American novelist who located a tropical island "nine

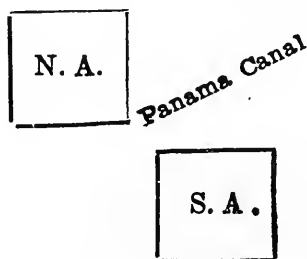
days south of Rio"—which would be near the Antarctic circle. Kipling in one of his early tales sent a German scientist to hunt coral snakes in the tropical jungles of Uruguay, and his scientist died of coral snake-bite. Of course, the tropical jungles of Uruguay, and its coral snakes, are just about like those of Illinois or Massachusetts.

But "howlers" in geography are as unfair as they are amusing if you want to prove ignorance. For why should the average American carry a gazetteer in his head? He may be just as vague about localities and distances in his own country, like the New England Yankee who said he had a brother "Out West"—in Pennsylvania. Books were devised by Man to hold such facts so that heads could be used to better purpose.

However, South America is an interesting continent, and it may help the reader visualize its business possibilities if we skim over some of its geography. The subject need not be dull.

If you have a map of South America hang it on the wall.

Then pin beside it this diagram, which illustrates something about South America that few people seem to know—its relationship to our own continent.



When the Congressman wanted to know why the Brazilians did not use the Panama Canal he probably thought that South America was right under North America, which is all wrong, and is a popular notion that often leads to business blunders. If you started straight south from New York in an airplane, expecting to land in South America, there would be a chance of reaching only two of its important cities, Quito and Lima, which are the only ones west of New York. If you missed the extreme western borders of Colombia, Ecuador and Peru you would miss the whole continent, and plop into the Pacific ocean, which is very deep and chilly in those parts.

For years people have talked of the Pan-American railroad, and through trains from New York to Buenos Aires. Several different Pan-American railroads are actually being pieced together in South America, but even when they are finished through trains from New York to Buenos Aires will hardly be popular. For the trip will involve crossing three continents—our own from New York to Mexico City, then back to the longitude of New York along Central America's stony spine, and thence across South America itself. Pan-American railroads will be wonderful conveniences for local travel, but ships will beat them for comfort and speed in through travel, to say nothing of aircraft.

Another fact about the continent that astonishes many people is its size. It is not a large continent, as continents go, being next to the smallest, about twice the size of Europe. It is also the most sparsely populated continent, with only 7.4 persons to the square

mile. But while our continent is 1,000,000 square miles larger, South America is actually bigger in some ways.

North America is widest at the top, and a good third of it too cold for habitation or productiveness. South America is widest in the fertile tropics, and runs off into a sliver in the cold Southern region. So it has more area suitable for Man.

Brazil alone is larger than the United States. Argentina is larger than Mexico and all Central America. Subtract Brazil and the Guianas, and South America is still as big as Canada. Subtract Mexico and Central America from our continent, and lump them in with Latin America, to which they belong racially, and then Latin America is larger than the United States and Canada.

In population, South America compares very well, too. For it has two-thirds as many people as the United States and Canada—80,000,000 as compared with about 120,000,000. South American distances are usually magnificent, and astonish Yankees, as do such discoveries as that the Argentinos are white and the Brazilians speak Portuguese. There is an actual instance of an American manufacturer advertising his goods in a Rio de Janeiro newspaper and referring the Brazilians to his dealer in Quito, Ecuador. The quickest way to reach Quito from Rio de Janeiro is by ocean liner to New York and down the West Coast through the Panama Canal. Peru has a seaport to the east, over the Andes, which is reached by sailing down to Chile, taking the train to Buenos Aires, then an ocean

liner to the mouth of the Amazon, and a river steamer to this landlocked seaport of Iquitos or around by Panama.

With a little knowledge of South American geography you can contrive numerous traps for the know-it-all. Bet him that Valparaiso, Chile, isn't west of New York. If he takes you up you win. And a good many old hands in South America do not know that Montevideo is south of Buenos Aires.

Distance is interesting because, once realized, business men lose the notion that one South American country can be "worked" from another. This is not true even of neighbors like Argentina and Uruguay, right across the river from each other, because each has its own way of doing business. It is a common and costly notion, cherished in many executive offices, that one man in South America can take care of any inquiry or complaint, jumping nimbly from Buenos Aires to Pará, Bogotá, Corumbá, and wherenot, and "fix things up." Accustomed to his Twentieth Century Limited, when the Old Man sends a salesman or engineer to South America he will keep him traveling from point to point, wasting half his time on ships or trains, playing him like a fish at the end of the ocean cables.

The geology of South America has a bearing on its business, because it divides the continent into greatly diversified regions.

It is a very young continent, the geologists say—a continent still in the making. The Andes are being pushed up out of the Pacific, with earthquakes and vol-

canic eruptions, and worn away on the east by water, wind and ice. And probably the eastern coast of the continent is slowly sinking beneath the Atlantic—geologists hold different views about this. The Eastern coast has its mountain range, and it is conjectured that a great sea occupied what is now the interior of the continent from the region of Buenos Aires to central Brazil. A great mountain range in central Brazil was eroded into this sea, filling it up, making the fertile River Plata basin. Another theory is to the effect that this sea extended straight through to the Caribbean, and that South America was two distinct continents, both small, but each with its own tribes and animals.

Whenever they try to account for South America's animals the naturalists and geologists have to build theoretical barriers. Sometimes they account for differences by the interior sea, and again use the Andes as a barrier. Darwin reasoned that the Mexican plateau fenced North American animals off from the Southern continent. South America had no cattle, horses, pigs, sheep, goats, cats or dogs. Its animals are few and small compared with those of the other continents, and also of a primitive type which seem to have shrunk instead of evolving. Like the rest of the world it had, in the remote past, its huge monsters in vast numbers, still evident in their abundant fossil remains. Where the monsters of other continents were replaced by animals with better weapons, brains and hustling ability, the South American types dwindled, so, that the little armadillo, once the size of a house,



has a shell that nowadays makes a lady's workbasket.

The scientist's barriers aid one in thinking about South America for business purposes, because they divide the continent into regions distinctly different from each other in population, products and prospects. Some of the countries are in the filled-in sea, basin countries like Argentina, Uruguay and Paraguay. Others are rim countries, up on the top of the walls that surround the basin, like Peru, Bolivia, Ecuador, Colombia. Brazil is both a rim and a basin country, and so is Chile, for though the latter is largely rim, its development promises to be along the coastal portion.

It is curious that the most advanced pre-conquest people in South America developed in the most difficult place to live, along the cold, steep, arid rim of the Andes, in Peru and Ecuador. Elsewhere there were only savages. The Spaniards set up their administration in Peru, exploited the country for gold, silver and gems, and ignored the eastern coast, which had none of these easy riches. That gave the Portuguese their opportunity to seize Brazil. The richest part of the continent, its fertile basins, was left for the last in development. The Incas might have farmed the Argentina pampas, perhaps. But they had no livestock except the mountain-dwelling llama, alpaca and vicuña. Likewise they had no wheat, barley, rice, rye, oats, or millet. Their chief staples were corn and potatoes. Crops might have been grown in the pampas, but it would have been difficult to carry them to consumers. When cattle and horses were brought into the pampas

they multiplied, becoming great wild herds. First they were killed for their hides, the only exportable product. But when beef extract began to be made, and the refrigerator ships took chilled beef to Europe, and the world looked to Argentina and Uruguay for grain, those basin countries quickly became the richest and most progressive in South America. Their industries and prosperity are now spreading up into the basin regions of Paraguay and Brazil. The rim countries, on the contrary, have fallen into second place, and must be developed in new directions.

A good way to divide South America is into two basins and two rims, a plan followed by William H. Lough, one of Uncle Sam's special agents, who investigated banking conditions in South America. Each of these regions has its own kind of people, climate, products, shipping routes, trade connections and economic life generally. And each of them has closer business relations with the United States and Europe than with any of the other regions. That is a striking fact about all the South American Republics, and those of Central America too, that they do very little business with each other. Sometimes they have the same things to sell. Sometimes distance hinders trading. But a certain amount of jealousy enters into the equation, and there are difficult tariff walls around the separate countries.

Varying Mr. Lough's arrangement a little, we will put the four regions in the order of their present development, thus:

First—The River Plata Basin.

Second—The West Coast Rim.

Third—The Amazon Basin.

Fourth—The North Coast Rim.

The River Plata basin includes the best part of Argentina, all of Uruguay and Paraguay, and Brazil as far north as the state of Matto Grosso with some of Bolivia, where that altitudinous republic climbs down from its austere mountain heights and becomes tropical *montaña*. Travelers who are disappointed because there are no parrots or monkeys running wild in Buenos Aires will find the hottest parts of this basin only subtropical. Oranges grow in the suburbs of Montevideo, the southern edge of the basin, and on the northern edge there are the cool plateaus of Matto Grosso, a future cattle range country, another Texas, with a temperature and healthy climate in tropical latitudes. Nearly half the population of South America is concentrated in this basin, and more than half the wealth and production. It includes the coffee district of Brazil and the beef and grain industries of Argentina and Uruguay. The people are practically all white in Buenos Aires and Montevideo, becoming mixed with negro and Indian blood towards Uruguay's Brazilian border, and Indian blood in northern Argentina and Paraguay.

The West Coast rim runs from northern Ecuador down through Peru and western Bolivia to the wilds of Patagonia. This is largely the old Empire of the Incas. Most of the people in Peru, Ecuador and Boli-

via are Indians, descendants of the Incas' subjects, living at altitudes of 10,000 to 15,000 feet. The Chileans had to exterminate the warlike Araucanian Indians, so that country has a greater proportion of white blood. Most of this coast is rainless, though its winter fogs come pretty close to drizzle. Southern Chile has an ample rainfall. The products are nitrates, copper, wool, cotton, guano—mostly mineral products, as these countries were at South America's back door until the Panama Canal was opened. Bolivia and Peru have rich undeveloped tropical regions to the east over the Andes, part of the Amazon basin, awaiting railroads and settlers. Their only outlet to market now is down the tributaries of the Amazon. Here is Peru's inland seaport Iquitos, and Bolivia reaches markets over the curious Madeira-Mamoré railroad, which takes goods around several hundred miles of rapids, filling the one impassable place in the long river journey to the Atlantic.

The third great region is the Amazon Basin. This mighty stream is not so much a river, geologists say, as the remnant of South America's ancient inland sea. The Amazon country is the wildest part of South America, the inhabitants chiefly Indians and negroes—rubber-gatherers supervised by a few white overseers and traders. This is the truly tropical section of the continent, a vast productive region that Man will one day clean up and settle. Although chiefly in Brazil, it is practically isolated from that country's capital and coast cities. In one part of Brazil, by carrying a canoe a short distance through the wilds, it

is possible to travel up the Amazon and come out at the River Plata at Buenos Aires with a single portage. Rio de Janeiro is decidedly more isolated. Brazil is really two countries from the business standpoint, one along the Atlantic seaboard and the other the Amazon Basin. Products of the Amazon region are rubber, Brazil and other nuts, some tropical woods, and a very little soil produce.

The North Coast Rim comprises Venezuela and Colombia, linking up with the Central American countries in its products and trade. The climate is torrid. Coffee, sugar, chocolate, tobacco, tropical fruit and nuts are grown, with cattle in the higher interior lands. This is also a future mining region. The people are five to ten per cent white, ten per cent Indian and the rest of mixed blood.

Many persons find it difficult to distinguish between the different Latin American countries—like the American woman who spent some time studying Spanish when she went to Rio de Janeiro before discovering that it was not the language of the country. The Republics are all different from each other, and very proud of their individuality. One needs separate memory pegs for each of them upon which to hang information. A very good way to sort them out mentally is this:

There are twenty republics altogether. Ten are in South America and ten in Central America. Begin with South America first. Think of A B C, and let those letters stand for Argentina, Brazil and Chile, the

leading countries in population, wealth, territory, diplomacy, stability and enterprise. Then add a plus mark for two other countries—A B C + Uruguay and Peru, who are anxious to be in South America's leading set, and rightly. Uruguay is smallest, but a sturdy little country that would not be annexed to either Argentina or Brazil, a land noted for its fighters, business men, authors and intellectuals generally. Peru is the empire of the Incas, the old seat of the viceroys, and the most Spanish of all Latin American countries. This leaves five poor little sisters, or rather princesses in disguise, countries of great possibilities, but as yet little developed. Two of them are in the south, Paraguay, which is logically a future Argentina, but almost depopulated by past wars, and Bolivia, the high mountain republic, isolated from the sea, the arid Switzerland of South America. The other three are in the north—Ecuador, the land of volcanos and "Panama" hats, Colombia, the land of emeralds, and Venezuela, an upland Argentina, with its cattle ranges, and also resembling Brazil with its mighty river, the Orinoco.

With Central America, eliminate Mexico and the three island republics, Cuba, the sugar bowl, and the black republics of Santo Domingo and Hayti, the latter French in language. Santo Domingo and Hayti, counted the most backward of all, are not really Latin, but African. This leaves the six little countries clustered around the Isthmus. Panama is easy to remember in connection with the Canal. Next to it lies Costa Rica, characteristic for its white population.

Then in order, going northward, come Nicaragua, with its great lake, Honduras, the country of forests and isolation, little Salvador, smallest of them all, a trifle larger than Maryland, and finally Guatemala, rich in its old Maya cities, which may some day be a valuable national asset. These little countries have had many political and financial troubles, probably owing to their small area, rugged geography and the difficulty of developing their resources, along with considerable jealousy. But they are working out their destinies, overcoming obstacles, and finding expression for the sober sense of their common people, who are largely the hardy, industrious Maya peasants.

Another way to put the leading countries, at least, into mental pigeonholes is to read a little about their great men and histories. The average American dimly knows that South America had its liberator, Simón Bolívar, the "Washington of South America." But he has probably never heard of San Martín, the Washington of Argentina—Artigas, the Washington of Uruguay—or of Sucre, or Miranda, or Moreno, or Iturbide, or Hidalgo. Old Don Pedro of Brazil, the kindly Emperor with the whiskers—yes, he remembers him, and his admiration for Yankee things, but not Don João, or the Emperor John, who discovered his Brazilian colony when Napoleon chased him out of Portugal, and played the part of a Washington by opening Brazil to trade, and starting her on the road to independence. South American history is far from dry, with such episodes as San Martín's crossing of the Andes with his cowboy army and ending Spanish rule

on the Southern continent. And it can be read in the entertaining book of Father J. A. Zahm ("H. J. Mozans"), the priest-explorer who accompanied Colonel Roosevelt through the Brazilian wilderness, and who has traversed all the great rivers of South America, following the footsteps of the old Spanish Conquistadores. Father Zahm's charm is mental exploration—deep reading in the old records of the different countries and the ability to make them alive for the reader. His chief books are:

*Along the Andes and Down the Amazon* (Appleton).  
*Up the Orinoco and Down the Magdalena* (Appleton).  
*Through South America's Southland* (Appleton).  
*The Quest of El Dorado* (Appleton).

Prescott's *Conquest of Peru* is another basic work, one of those "old-fashioned" histories of the historians who were not afraid to tell stories and utilize human interest. And Darwin's *Voyage of the Beagle* contains more compact, entertaining information about the geology, geography and natural history of the Southern continent than any later book, with innumerable glimpses of the people, particularly that romantic, self-reliant figure, the *gaucho* or cowboy of the pampas.



## CHAPTER III

### WHAT THE PEOPLE AND THE COUNTRIES ARE LIKE

"Why doesn't somebody tell us the real truth about these countries?" protested an American automobile man, in South America for the first time.

At home, optimistic export literature had impressed him with the possibilities in countries like Brazil, with its 25,000,000 population, its great area, its need for motor trucks and passenger cars. What a market!

Arriving in Rio de Janeiro, he found that there was not a single road leading out of that mountain-locked city, and but a few hundred miles of modern highway in Brazil's interior. This statement may be discredited soon by the Brazilians themselves, for they have lately held several good roads conferences, and numerous highway projects are afoot—notably, one from Rio de Janeiro to Petropolis, the summer capital established by the Old Emperor, Don Pedro. There are some good roads in the states of São Paulo and Rio Grande do Sul. But South American highways shock the American automobile man who has pictured the Southern countries as much like our own, and that is the point to be made here.

Many of the things that Yankees know about South

America are interesting, but not true, as they learn by a visit to the Southern continent.

Some of us expect too much, others too little. Having seen pictures of the capital cities, and heard that Buenos Aires has a finer taste and a longer purse for grand opera than New York, and maybe having met some free-spending Brazilians or Argentinos, we suspect that the South Americans are more cultured than ourselves—as they have admitted. The South American countries are all republics. We expect to find people something like ourselves in absence of caste, equality of opportunity, education, comfort and prosperity. We have heard of Latin courtesy, and begin to brush up our manners.

On the other side of the picture, we have heard that the South Americans are revolutionists. We cartoon them as ragged little Indians, and there is a popular notion that they are on the racial toboggan slide, going down with the declining Spanish civilization.

"I don't know whether the Uruguayans use towels," a Philadelphia manufacturer recently wrote to an Uruguayan importer, "but if they do, we have some fine products in that line."

These are all misconceptions, due to distance and lack of acquaintance. Let us take them up one by one and see if we can get nearer the truth without hurting the South American's feelings, yet giving the American business man a basis for gauging possibilities without too great expectations.

It is true that South America has wonderful cities, grand opera, fine race courses, beautiful women, great

newspapers, and a culture older than our own. Lima and Buenos Aires were founded nearly one hundred years before the Pilgrims landed on Plymouth Rock. Rio de Janeiro and Santiago are more than one hundred years older than New York.

Yet the South American countries are also very young. Their independence dates back only a century, and their political stability less than that, where they have attained it. It has been the diplomatic fashion with us to coddle Latin America. We have heard the many nice things that can honestly be said about its capitals, fashion, hospitality, cosmopolitanism, literature, patriotism. But other things have not been said—its backwardness in education, living conditions, sanitation, opportunity and earning power of the masses.

Three fourths of the South Americans are country and jungle dwellers, living on the ground or in the bush, with a few sticks, palm leaves, blocks of dried mud or scraps of sheet iron for a house, a few gourds and earthen pots to cook in, and a few bundles of rags for clothes and bed. The Argentino herder and agricultural laborer lives on meat, hard bread and maté, or Paraguay tea. Very often he is a Spanish or Italian peasant, without family, farming rented land in wheat or barley for a few years, living roughly in a temporary shack. With luck, he cleans up a few thousand dollars in three to five years, leaving the land in alfalfa. Then his shack is pulled down, and he returns to Spain or Italy, marrying and really beginning

to live. While he is making his pile, he is not much of a customer for imported goods.

In Brazil the same migratory system has been followed in planting coffee for the great landowners. Aside from this one dominant cultivated crop, Brazil's products are chiefly things that can be gathered wild, like rubber, Brazil nuts, vegetable ivory, vegetable wax—real farming has hardly begun.

In other countries the Yankee is constantly running onto living conditions that alter his views of South America as a market.

A large force of Uruguayan laborers was employed in a new meat packing plant in Montevideo. The American contractor had to shut them all outside the grounds at night, for otherwise they would have covered the place with shacks and shelters, sleeping on the sodden soil. They were splendid workers, but accustomed to only the most primitive living conditions.

Peru and Bolivia have nearly the population of New England. But more than two thirds of the people are Indians, living at high altitudes in the Andes, isolated in their mountain huts, and cultivating potatoes on their ancient terraced plots. They will go barefoot through the snow, and sleep on ice.

An American engineer carrying out a contract in Chile pointed to a frame shed resembling one of the section houses in which our railroad trackmen keep tools. "Six people live and sleep there," he said, "and it hasn't even a window!"

Fine men in many ways, the Argentino herder, Uruguayan *gaucho*, Chilean *roto* and Peruvian *cholo*—

strong, hard, industrious, uncomplaining. To know them is to wish them better things to-morrow, but to-day they live under pioneer conditions, without roads, schools, pure water supply, sewers and other essentials that we provide for ourselves first of all, and instinctively.

The Yankee who goes to South America to sell goods soon sees the other side of our future trade—that we must buy as well as sell, provide markets for more products, help develop the countries by investing in railroads and raise the standard of living and expenditure by increasing the earning power of the masses.

There are several reasons for South America's backwardness in material things. One is the survival of the European system of landowners and peasants. Our continent was populated largely by opening government land to sturdy immigrants, the cream of northern Europe. But South American countries have been developed by great landowners, drawing upon Southern Europe for laborers rather than settlers. Opportunities for the immigrant have been far less numerous. This is the real reason, in the writer's opinion, why South America has not grown in population, though constantly pleading "Immigration, immigration!"

Another handicap is lack of local taxation on land, and the local initiative growing out of it which makes local improvements. It we want a schoolhouse or a waterworks we hold a town meeting and agree to tax ourselves. We not only get the desired improvement, but the process is educational. South Americans have still to learn this way of going to school for the benefit

of the community. They seldom carry out local improvements themselves, but look to the national or provincial government to take the initiative. The latter may do the job in a splendid way when it gets round to it, but progress is usually slow.

Popular education is a constitutional right of citizens in many of the South American countries. But as yet it is largely a paper privilege, because schools are lacking, or too expensive for the masses, and the amount of illiteracy is great.

There is a bright side to the picture, however. The more enterprising governments are planning schools, sanitation, highways and other improvements. Dissatisfaction is spreading among the people, and will be a factor making for better things for the coming generation. In criticizing we must remember that we are likely to contrast the other fellow's worst with our best, which is unfair. We forget his difficulties in financing improvements for people who have not yet learned to help themselves. We forget the slums that can be found in our own mountain and farming sections. Certainly our school system is better, but there must be room for improvement when, as shown by recent investigation, several million American school children do not get enough to eat.

An American woman visited a hospitable family in one of the southernmost countries during the chill winter. The house was not heated, and its thick walls radiated dampness. On the parlor floor she saw what seemed to be a sofa pillow, and picked it up, placing it on the sofa. Her hostess entered, and threw it back

on the floor—it was a foot warmer, universal in that country during the winter. Furs, padded garments and chilblains in winter, heat and dust and flies in summers, these are accepted as inevitable. Cooking arrangements are primitive, servants are treated pretty much like domestic animals. Perhaps we have gone too far in the other direction, made comfort a fetish, and are paying too much for it in energy and life. But the South American's interest in comfort is growing, and capable of being cultivated, for as a rule one need not show him a thing twice.

Politically the South American countries are all republics, some with constitutions modeled upon our own, and some with improvements. Actually, however, they are autocracies for the time being. A few political bosses, lawyers, landowners or aristocratic families manipulate the governments, selecting presidents and cabinets. Hardly one citizen in a hundred votes, sometimes because he lacks the franchise through poverty or ignorance, and again because the poll tax is prohibitive.

The system is not so much bad as immature. First came independence for people not permitted to govern themselves even in business matters. Then followed internal struggles between factions for power, and gradual attainment of political stability. Now most of the countries are slowly developing political consciousness, public opinion, community spirit and other elements of older democracies.

In the main, South American government is autocratic, but benign and constructive. To sit in the

ruler's chair and dictate is one thing, but to plan water-works and sewers for all your provincial towns, put a bill through the legislature, and find the money, is another. Every one of the Southern republics has its administrative difficulties—debt, unstable currency, diminished credit, past mistakes in finance, local factions and jealousies. The ruling class is made up of educated men, many of them anxious to carry out broad national developments, and showing a decided trend toward better men and better administration. Their chief shortcoming is lack of technical knowledge—most of them have been educated in law, where engineers, administrators and business men are needed. The legal "Doctor" is so prevalent in South American affairs as to be almost humorous.

As an example of the system at its best, take the prisons of Uruguay. Some years ago this little republic's rulers decided to have the latest thing in prisons, with improvements. An eminent judge was directed to lay out plans. He investigated prisons in the United States and Europe, and erected great, clean, healthy buildings. If you go to prison in Uruguay—the writer met several American prisoners there—you are paid wages for your work. The amount is forty cents a day. Ten cents is deducted for food and clothing, ten cents to pay your fine, ten cents for spending, and ten cents saved for you until discharge. The prisons are under the Ministry of Public Instruction. You can learn a trade while serving your sentence. There is an eight-hour work day during which you make furniture, metal work, shoes, clothing or equipment for playgrounds and



schools, mostly utilized by the government. The three R's can be studied in night classes, with drawing and designing. Your design for a book-case or iron grill can afterward be worked out in the shops. Framed exposition awards for prison products hang in the work room. In one institution prisoners, starting with three hundred dollars capital, built up a tilemaking business which has grown to a \$5,000 investment, and were eagerly investing a cash surplus in hydraulic presses.

South American democracy has not developed refinements like women's suffrage, because male suffrage is still far from universal. To extend the vote, political education is needed, and the slow growth of public opinion and a middle class. As has been pointed out, we will have grounds for criticism when we have solved our own problem of negro suffrage. Neither has it developed control and oppression by organized minorities, so it has the longcomings of its shortcomings.

There are two distinct sides to Latin American courtesy.

It is true, as our advisors have told us in advance, that the people pay more attention than ourselves to graceful formalities. Men take off their hats to each other, execute wonderful bows, kiss ladies' hands. You are assured that everything your host possesses is your own. No one would think of laughing at your blundering Spanish—"We laugh at the Peruvian's mistakes," said a gentleman of fun-loving Lima, "but at the foreigner, never! We listen and try to understand."

On meeting, and before discussing business or any-

thing else, certain polite questions are in order. Similar formalities are in order when parting.

An American engineer employed an interpreter in Buenos Aires. They had finished work one afternoon, and he was going to his hotel in a taxicab. The interpreter stood outside, hat in hand, saying, "My compliments to your lady, my compliments to your daughter, my many thanks, my sincere wishes for your health," and so on. The American, hat in hand, was thanking him and returning compliments in Latin form, but somewhat nervously. For a trolley car had come up, the taxi was blocking the track, and the motorman and chauffeur were exchanging compliments of a different kind. However, the motorman had to wait until the *caballeros* had observed the civilities.

Straight down to the humblest peon these courtesies extend. Sometimes the blunt Yankee is ill at ease, and resents taking off his hat to men and doing business in left-handed ways. But more often, stepping into this atmosphere, he likes it, and finds himself picking up the Latin manner.

But it is all partly ritualistic, and may be carried too far. Keep your hat off too servilely, and you annoy the other fellow, who wants to put his on again because he is bald. It is a courtesy for friends and superiors, ignoring the stranger and the subordinate. There is a good deal of boorish staring and jostling on the streets of South American cities.

The South American likes our direct way of dealing, and our informality. When visiting the United States he is very often wounded because his accent

lumps him in with the "foreigners." But he also finds a genuine kindness under our brusque hurry. As we enjoy his formal politeness, so he enjoys our direct practicality—because it is different.

Now we have taken a discount off all the good things anticipated in South American civilization. Or maybe it is simply correcting the focus.

Fortunately, there is a discount off all the unfavorable things that may have been anticipated.

"Revolution" is the most widespread notion about South America in the North American mind. We have Mexico at our back door. Uncle Sam has taken a hand from time to time in Cuba, Hayti, Santo Domingo and Central American countries.

The Latin American revolutionist has become a stock figure in our fiction, and many of us have got from novels our single piece of misinformation about South America. But it is not fiction or theory with all of us, for Americans have invested many millions in Mexico, and perhaps one in a thousand has a direct knowledge of revolution measurable in lost property, to say nothing about loss of American lives. Other Latin American countries are now asking us for capital. They are politically stable, but not all of them as stable as Mexico when we put our money into its railroads, mines, oil wells. Mexico overshadows our more recent and very profitable investments in Cuba.

Revolutions have not been frequent in the larger South American countries since they attained their stability following independence. First the yoke of Spain was thrown off, leaving the countries with mili-

tary leaders and armed bands, who turned and fought each other for power. In Argentina this transition period lasted until the fifties, when the dictator Rosas was overthrown, since when there has been no real revolution. In Chile, there has been only one revolution since that of Balmaceda in 1893. Uruguay has the most troubled history of all the major countries, but her last revolution dates back to 1904. Peru has had a troubled history, too, but her many revolutions have been small affairs, fights between factions, not affecting the people except in retarding development of the country. Brazil has had no revolution since independence was gained thirty years ago. Venezuela, Colombia, Ecuador and Paraguay have suffered most from political disturbances.

Yet in the opinion of the writer there is danger ahead for practically all the South American republics. Politics tend to simmer down, but economic and social unrest is plainly developing among the masses. The average Latin American "revolution" reported by the newspapers is usually a small disturbance compared to one of our strikes, hardly affecting the man in the street. But economic unrest will affect everybody, for it reflects the desire of the masses for better living conditions. The more advanced the country, the nearer it is to this transition stage. Had the recent labor riots in Argentina been reported as a revolution they would have taken on the aspect of civil war. It is argued that the size of the leading South American countries makes for stability. But Mexico is large—larger than any Latin American country except Brazil

and Argentina. Revolution is being supplanted by evolution. It is reassuring, however, to find in most of these countries public-spirited administrators and intellectuals who are thoroughly alive to the need for improving the conditions of the masses.

Our second most widespread notion about the South American is that he is an Indian, and a ragged little one, as shown in our cartoons.

Color in South America is, for us, an important business matter. We have our own color problem. We have white people, born in sections where that problem is most acute, whose feelings on the subject are very strong. In South America it is often necessary to do business with people of mixed blood, and to meet them socially. Therefore, to send business representatives who will not accept the unchangeable conditions is—not good business. Personal feeling does not enter into the equation at all. The right man must be selected, and his wife must also be free of prejudice. The wrong selection for South America would be just like selecting as London or Dublin representative an Irish American with strong feeling on the Irish question.

Our color problem involves whites and negroes. South America's problem is of a different hue. Only three countries on the Southern continent have negroes at all—Brazil, Colombia and Venezuela. They number about 13,000,000. Negro slavery was resorted to on a large scale only in Brazil. The black population of Colombia and Venezuela comes from the West Indies. There is a fringe of mulattos along the Brazilian border in northern Uruguay. A negro is

almost a curiosity in Argentina, and along the whole West Coast, where Indian labor was abundant in Spanish times. If a negro drifts in, and he is especially big and black, they dress him in a gorgeous uniform and put him at the front door of a hotel.

There are nearly as many full-blooded Indians in South America as there are whites—11,000,000 Indians to 15,000,000 whites. On top of that, there are 15,000,000 mestizos, or people of mixed white and Indian blood.

There is a color line among South Americans, but not so distinct as our own. The mixtures of blood are more complex. Indians range all the way from wild forest tribes in Brazil, Peru and Bolivia, up to the mestizo doctor, lawyer or architect with a Parisian education. And the wild forest Indian may have a skin lighter than that of the educated mestizo. Then, Latin courtesy has removed many of the contrasts in our own color problem, both among the Indians and negroes.

To know something of the South American tribes from whom many of the people have descended, is to feel no more prejudice on the color question than one would feel about our North American Indians.

For example, up in northernmost Brazil is a little state called Ceará. It was settled by Portuguese noblemen who made alliances with Indian chiefs, married their daughters, raised enormous patriarchal families. To-day, Ceará is populated largely by descendants of a few "first families." The country is fertile, but cursed with recurring droughts. When his state dries up, the Cearanese penetrates to other parts of Brazil, and

wherever he goes development follows. He is the Scotchman of Brazil and without him the Amazon rubber country would still be unexplored, much less productive.

In Chile a person of mixed blood may have in his veins some of the qualities of the Araucanian Indians, a tribe that produced at least two first-rate military leaders, Caupólican and Lautaro, and resisted the Spaniards for more than two centuries. The Chilean is the Yankee of South America, and one feels his "pep" immediately. That "pep" may be Araucanian.

Then the countrymen of Argentina and Uruguay. When wild cattle were killed for their hides, the Argentine enlisted the wild Indians and *mestizos* of the country as cowboys. These workers lived in the saddle, on meat alone, killing a cow, and cooking their beef in the hide with the bones as fuel. This hardy *gaucho*, under San Martín, won South America's independence. Incidentally, he cleared Argentina of wild tribes. He was a poet, a guitar player, an improviser of music, and a romantic fellow all around. When the Argentinos began to fence their herds and raise wheat, he rode over the horizon like our own cowboys, and disappeared—but left the mark of his race behind.

In Peru, Bolivia and Ecuador there has been less mixture of the races, but the population of Indians is largest—the patient subjects of the Incas, who submitted to their socialistic-autocracy, and are the same hard-headed conservatives to-day. In the Central American countries the bulk of the population, Indian and mestizo, is of Maya blood, that race which left the

only written language in what is now Latin America, and the only sculpture and real art. Like the Incas, it is conjectured that these works were those of a kingly and priestly caste, which was killed off by the Spaniards, leaving only the ignorant peasantry, as in Peru.

We are a mixed race, and vigorous on that account, but a white mixture. South America is developing a mixed race, too, and it may be one of unexpected energy and strength. The Spaniard and the Portuguese were obliged to blend with other colors, for lack of white population. The result is a red or copper-colored race which seems to be better adapted to the continent, with its tropical area, than an all-white blend. What is nature up to in South America? White skins are a recent fashion. The civilizations of yesterday were of other hues—India, Egypt, Phœnicia, Carthage, the Moors, the Arabs. White prevails in but two of the five continents. It may be an ethnological interlude.

Not everybody takes this view, of course. It is held that modern science will enable the white man to live in the tropics, that white immigration will develop South America, and that the energy of the white races will make it impossible for the mixed races to compete. Maybe so. The chief thing for us now is to accept the South Americans as they are—if one be prejudiced, then the Southern continent is no place for him to do business.

Another outstanding belief held by many Americans is, that the people of South America are a declining race, going out with Spain. We get that view from



our histories, just as we get a prejudice against the British from school history "redcoats" of Revolutionary times. We are wrong about the redcoats, and wrong about the South Americans. It is not certain that Spain is declining—she has been up and down through the centuries beyond the dawn of history. The South Americans (and this includes the Brazilians) are a different race, facing the future, not the past. The best statement about their vigor and future is that of Father Zahm:

The Spaniards and their nearest of kin, the Portuguese, notwithstanding their being so long "the apparent sport of malicious and inconstant fortune," contain within themselves the promise and the potency of a renaissance that will soon surprise the world. Never before in their long and marvelous history have they been more progressive or more powerful. Never were their sonorous tongues so widely spoken, or by a larger number of people than at present. Never did they rank higher or approach nearer towards universal use among the great languages of the world. Omitting the peoples and tongues of China, and of Russia, which is more than half Asiatic, the Spanish race and tongue to-day are surpassed in point of numbers, distribution and future promise only by the Anglo-Saxon.

To the great Iberian races belongs the whole of the western hemisphere from the northern frontier of Mexico to the straits of Magellan. This, with its possessions in Europe, Asia, and Africa, constitutes more than one-fourth of the earth's surface. No other race since the fall of Rome, except the Anglo-Saxon, has achieved more in conquest and colonization or has contributed more to the advancement of civilization and culture. A composite race, like the Anglo-Saxon, and possessing some of the strongest elements of the English people, it is a race of inexhaustible vitality and possesses a boundless field for future expansion and development. Great as has been its past and mighty and manifold as have been its influence and achieve-

ments in every sphere of activity, its future will be still greater. Indeed, the Neo-Latin race, now advancing with such marvelous strides, bids fair soon to become a close rival of the noble Anglo-American race in the great republic of the north.

Anybody who thinks that South Americans are lacking in vigor should see them in action when something rubs them the wrong way. At an opera in Rio de Janeiro the management changed the program without notice, substituting for a popular opera an assortment of single acts from several different works. An American audience would have sat through the show without complaint—what is the use of complaining? But the outraged Brazilian audience rose and walked out in protest. If the bulls in the plaza at Lima are too tame to fight, the audience immediately begins setting fire to the grand stand, and demands its money back.

Thinking of South America in terms of history and romance, we picture its people as swashbuckling cavaliers and guitar-playing troubadours. Actually, it is peopled by Latin Yankees.

The continent was conquered chiefly by *caballeros* from the Southern provinces of Spain. But when it came to working its resources there was emigration from the Northern provinces—Galicia, and Asturias, and the Basque regions running over into France. Northern people and southern people are pretty much the same the world over. Beside the knightly, indolent Andalusian, the Gallego, Asturiano and Basque are as the New England Yankee to the Kentucky Colonel or Georgia cracker. The Asturianos and Gallegos kept Span-

ish nationality alive when the Moors swept up from the South—an old game to them, for in their rugged northwestern provinces they had eluded successive conquests of Iberian, Celt-Iberian, Phœnician, Carthaginian, Roman, Vandal, and Goth. The Southern Spaniard from Andalusia, Sevilla, Valencia and Estremadura is self-possessed, debonair and voluble. But the Gallego, Asturiano and Basque are self-conscious, rugged, laconic. The Southern Spaniard was the conqueror and politician, while the Northern Spaniard followed as colonist, trader, artisan, banker and plodder generally.

They said that God, hurrying to get through the creation of the world, made the Northern Spaniard late Saturday night, and hadn't time to finish him, so he is brainy but uncouth, full of honest merit, yet awkward in manner. Also that when he bargains with you, you get everything the hen laid except the egg. We already have our own Yankee proverb about him—"He is there with nothing, and strong with that!"

All over Spanish America progress and prosperity keep pace with him. Our best customers, like Argentina and Uruguay, enjoyed immigration from the Northern provinces while the Southern Spaniards were absorbed by Peru. Uruguay is almost a Basque province. Latin American independence was won by eight liberators. Seven of them came from north Spanish stock, and the eighth was of Flemish descent. The Spanish crown tried to monopolize its American colonies by embargos on their trade and production. It might better have put an embargo on emigration

from the Bay of Biscay, from whence came the liberators. In Brazil, too, one finds the Portuguese Yankee, cannily conservative, sticking to the line he has set for himself in business, bargaining shrewdly, saving his money, and enlisting his relatives and friends to monopolize a given field.

Sensitiveness is an outstanding trait of South Americans. Where we say "Business is business," the Latin is guided by his *amor proprio*, or self-esteem, self-respect, honor. Convince an American that his way of doing a thing is inefficient, or something that he uses in his work is out of date, and you have laid the foundation for selling him something better. But the South American would be hurt by such an argument, taking it as a personal reflection upon himself. Asked to show how he does a thing, and then given a demonstration of something better, without comment, as simply another method, he would see the point, go away, think it over, and presently place his order. Sensitiveness may lead him to do so indirectly. This sensitiveness gives Americans no trouble when understood. It is partly racial, and partly the sensitiveness of young countries—we had it ourselves three generations ago, and bitterly resented criticism or patronage by an older country like England.

Family plays a tremendous part in South American affairs. Instead of the loosely-knit American, British or German family, which scatters with maturity and marriage, often by choice, South American families are still patriarchal in their size, and their bonds of relationship. Anniversaries, partings, greetings after

absence, tidings from members who are in distant regions, and the family joys, sorrows and thrills generally, are shared down to remote cousins. Discreet inquiries about members of the family are always good etiquette, and little presents and attentions are much prized. Our curt "Business is business" makes the mingling of office and family affairs seem odd, but in South America they blend naturally, and interest in the family of one's customer, who is also one's friend, is taken as a mark of good heartedness and *simpatico*.

The South American not only sets great store by his culture, but it enters into his daily life. The assertion that it is superior to our own, and that we Yankees are therefore barbarians, seems to come chiefly from South American journalists and demagogues. Among average intelligent Latins there is a frank admiration for the material and inventive progress that is our "culture" mainly. Really, the two things are just different. South America's development has not yet reached the industrial or scientific stage. Its intellectuals have centered their mental energy on literature, art, architecture. These, with politics, have been the great "indoor sports." France has been the intellectual mother, and South American poetry, novels, philosophy, criticism and the like reflect the changing movements among the writers and artists of France, with a tendency to be ten years or more behind the movement that stirs Paris to-day. This culture has produced books which, while reflecting life in the different countries, are hardly literature. The Great South American Novel has still to be written, like our own

Great American Novel. Absorption in the culture of an old country has blinded South Americans to the very different needs of a new continent. To-day they realize this, and there is a new tendency toward engineering, scientific agriculture and practical studies. English is replacing French in popularity as the intellectual language of every educated South American, and students are being sent in increasing numbers to the United States and England.

"Tipping" assumes grand proportions in South America, and by the advice of those having the greatest experience, must be taken into account in doing business.

Porters are provided at the customhouse to help you in the inspection of baggage. A placard warns against tipping them. But your *fletero*, or baggage-man, suggests "They are so poorly paid, señor!" It is the truth. You hand him fifty centavos for the porter. Arriving at the hotel you learn that all the rooms are gone—until a couple of dollars leads the clerk to look again and learn that he was mistaken. You must take the popular "Luxo" train for the night ride to another city. A berth? A ticket? Impossible, señor! But a tip in the right quarter secures a reservation. And the system often runs right up into high administrative quarters, where a judicious "honorarium" from the man who knows lands the contract, to the bewilderment of the man whose bid was lower, but who didn't know.

You are told that it is "the custom of the country," that you cannot change it, and must conform if you want

to do business. Occasionally an indignant Yankee tries to change it, and succeeds, as in the case of one who had been appointed to public office in one of the republics. A native friend offered him a handsome tip for a contract. The Yankee fell in with the offer in so far as securing evidence was concerned, and then had the tipper sent to jail under the laws of that country. Quite legal, and right—but so unsportsmanlike, señor—so contrary to custom and courtesy!

It is true that salaries and wages are low, and that people have come to consider tips a legitimate part of their earnings. It is also true that foreigners have encouraged the system. The Germans improved upon it in many unsavory ways, but nobody's hands are clean. It is also true that tipping is not always as necessary as one might be led to believe, that it takes an intimate knowledge of the countries to know when to tip and when to withhold, and that the general tendency in South America is toward straight business—something novel to-day, yet coming surely, if slowly.

“Indeed, there are brilliant examples of contracts obtained and concessions developed by American firms,” testifies an American engineer of wide experience on the southern continent, “without the corrupt expenditure of a single penny, and these stand as a credit to both the South American governments concerned and the American contractors or concessionaires.”

## CHAPTER IV

### THE TOOLS OF THE TRADE—OUR OWN BANKS

Yesterday, we did business in South America with borrowed tools. Our goods were carried in foreign ships, paid for through foreign banks, distributed by foreign merchants. If a new customer turned up in Buenos Aires, we had no way of gauging his responsibility, except through foreign channels, and though he might be an excellent credit risk, we had to ask him for cash in advance. If he wanted capital to extend his business, we had the money, but no investment machinery, so he went to foreign lenders.

Did this worry us then?

Not at all!

"It is cheaper to use the other fellow's tools," we said. "He can operate ships better than Americans. What difference does it make whether our money is collected by a British or a German bank, so long as we get it?"

Congress was particularly stiff-necked, refusing to modify antiquated laws so that American ships and American banks abroad would be possible.

To-day, thanks to the eye-opening war, we realize that our own tools are absolutely necessary in world trade, and are gradually getting them.



Our banks have been foremost in enterprise. They began establishing branches abroad during the war, when experienced employees speaking two languages were scarce, and had to be trained, and were drawn into the Army just when they became efficient. There is a chain of our banks right around South America, growing with the growth of our trade, and also growing into the confidence of South Americans.

The sight of our flag appearing once more in foreign harbors gives one its thrill. No less significant to an American should be the signboards of American banks in the financial centers of the Southern continent. The first financial institution progressive enough to open up shop on the broad Avenida Rio Branco in Rio de Janeiro was an American branch bank. Two American branch banks face each other in the Buenos Aires financial district. If one has a little imagination, it is even more impressive to find three American bank men and a stenographer just opening up in Lima, which happened when the writer was there—by great good luck they had found working quarters in two hotel rooms in the underbuilt, crowded "City of the Kings."

When you sell goods to a Latin American, almost invariably you must lend him the money to pay for them or help him borrow it elsewhere. His country is rich in natural resources, but "capital poor." The goods he buys of you will be weeks on the ocean, and he sells them to country customers on long credit, as in our own Southern and Western states. He cannot finance the business himself. If he had enough money to do that he could put it out at interest and live without work-

ing! Virtually, he earns his living by making other people's money work. The average American manufacturer cannot finance him tying up working capital for months at a time. Some of our large corporations have been able to do this, but it is beyond the power of the smaller and growing concerns who should be developing Latin American outlets for the future.

The right way to finance such a sale is through a bank which will lend the money on a bill of exchange for several months, taking its profit in the form of a discount which is figured into the price of the goods. Sometimes this bill is brought from the American manufacturer by a bank in the United States. Again, it is forwarded to the Latin American customer for collection, and he borrows the money from a bank in his own country.

Now, formerly, if he purchased British goods there was a British bank in his city, probably several of them, and German, French, Italian and Spanish banks. Even the little industrial countries, like Holland, and Belgium, with the business sagacity that has made their per capita exports the largest in the world, had branch banks around the corner ready to lend him florins or francs.

But there was no Yankee bank, and the purchase of dollars to pay for Yankee goods was often difficult. Foreign banks sold exchange in dollars, but the rate on London in pounds sterling was often more favorable, a more stable bank commodity, due to the volume of British commerce, its more diversified character, and a century of experience in dealing with London. Pur-

chases of American goods might be paid for by turning pesos into British pounds and sending the manufacturer his money by the triangular London route.

Branch banks in world markets render various other services than collecting drafts, buying bills of exchange and transferring money.

One of the most important is the gathering of credit information about business concerns in the territory where they operate. To know just who is financially sound, and to what extent, and who is otherwise, makes for safety. It also makes for facility and flexibility. Banks are usually in the best position to gather such information, and on the completeness of the credit data secured by their branch banks, the British, German and other nationalities were able to extend their sales in Latin America. Such information is costly. It is constantly changing. The banks of each nationality regarded it as confidential, a valuable asset in the business of the banks and its home countries.

Some foreign banks extend their credit information to all customers, regardless of nationality. But others have been known to use such information for selfish national ends. Upon no point, perhaps, are business men engaged in world trade more sensitive than this—of real or fancied discrimination in the matter of information. Suspicions that it is being withheld or imparted to others in violation of confidence constantly crop up in markets abroad, and create friction. For this reason, American banks are of service to American trade in more ways than one.

Given strong, impartial, native banks, or branches of

foreign banks, some authorities maintain that affiliations with such institutions are as effective as branches of American banks. Some of the large London banks, together with the Bank of Montreal, prefer strong affiliations to a branch system.

Another kind of information that banks can use in world trade to the disadvantage of rival nations is that obtainable from shipping documents. An American manufacturer sells goods to a Brazilian importer. A draft is drawn upon the latter and forwarded to a bank in Rio de Janeiro for collection. The draft is accompanied by a bill of lading, and perhaps an invoice, that show just what the Brazilian has bought from the Yankee—kinds of goods, quantities, and so forth. Such information may be damagingly suggestive to unscrupulous competitors if it leaks out of the bank. Business men insist that it does leak out, to the advantage of competitors of other nationalities. Banks deny this, and proof of violation of confidence is seldom forthcoming. The important point is, that business men jealously guard such particulars, and if documents do not pass through banks of other nationalities, the information cannot be disclosed by them.

With their entry into world markets, our own branch banks established a new kind of information service which is characteristically American. They organized commercial departments to gather every kind of information likely to extend our trade, realizing that their own banking business can only grow as we increase our sales to purchases from and investment in other countries. We are the latest arrivals in South

America, from the banking standpoint. Formerly our trade there was financed through European banks, which charged us more for exchange than their own countrymen, very often. Exchange on New York, for example, might be one per cent higher than on London. In banking commissions alone, it is said, British banks got five to ten cents a bag on all coffee we bought from Brazil, with tidy profits on Argentina's wool, Uruguay's hides, Chilean nitrates, Peruvian cotton. When we set up our own banks in those countries, naturally, we couldn't take the Britisher's business, nor supplant the Italian, French or other European banks. We had to have business of our own, and the only way to get it was to make it. We were doing a big volume of war business then, but that wouldn't last forever. Indeed, it began to shrink grievously when peace adjustments lowered the exchange value of British and European money, for then the South American pesos would buy more pounds or francs than dollars, and consequently more goods. We had to provide for the future. So our banks set up these commercial departments to serve Americans who wanted information about South American resources, investment possibilities, openings for new industries, and the like, and to furnish information about American business houses or products to the South American. They go to almost any length in making themselves useful to the traveling American business man, reserving hotel rooms, receiving and forwarding his mail, furnishing interpreters. For it is assumed that the traveling American will increase our trade, and that the more agreeable travel is made, the

more Americans will visit the Southern continent. A good deal of information gathered by these commercial departments is published in bulletins for distribution in the United States, and handbooks are also issued, giving suggestions about the shipments, financing and diversified technicalities of business in the different countries.

Even with our branch banks in all South American centers, two factors hamper both the American business man and the American banker. One is routine, and the other is prejudice.

Routine may be illustrated thus: A manufacturer in one of our inland factory towns begins exporting to South America. His customers are a few importers down there who are entirely responsible, and he arranges satisfactory credit terms with them. All he has to do now is put his draft through a bank with the shipping documents when he sends goods. There may be only one bank in his little factory town. All his financial business is done with that bank. He puts his South American drafts through as a matter of routine, just like his checks. The bank has no South American connections. It passes the drafts along to a New York bank, which, in turn, may have no South American branches or connections. Ultimately the draft turns up in South America to be collected through the organization of a foreign bank, and so our American banks lose the business, and the opportunity to render service, because the manufacturer has followed routine instead of investigating American banks with real South Amer-

ican connections, and ascertaining what they can do for him.

Fully half the Americans sent to the Southern continent on business errands carry foreign letters of credit, simply because their concerns at home are buried in routine, and take the letter of credit supplied by their regular bank, though it is probably foreign.

There is an advantage in carrying an American letter of credit, as thousands of our tourists stranded in Europe at the outbreak of the war learned when foreign letters of credit were worthless for the time being, in days of panic, and money could be obtained only through an American express company, which faithfully stood behind its credit documents. And there are advantages in collecting drafts through American banks abroad—little adjustments and courtesies that please one's customers by giving them advantages in fluctuations of exchange, the opportunity to inspect goods before taking up drafts, and so on. One of the first steps in entering upon South American trade, or even thinking about it, is to break routine—investigate our new banking facilities and plan banking connections accordingly.

Prejudice against American banks takes various forms. The Yankee in South America watches daily fluctuations of exchange as a new kind of excitement, and frequently gambles on the rise and fall of the peso or milreis. Different banks often quote different rates. Let the American bank's rate be a trifle higher this morning, and it is magnified as proof of inefficiency or greed. Other Americans will assure you that our banks,

being new in South America, lack the information and experience possessed by foreign banks that have been there for years. There is also prejudice against American banks because they have been allied with trading corporations, and it is believed that information taken from documents will be used for competitive purposes. Finally, there is prejudice against our largest chain of branch banks on the suspicion that it is a "trust," which suggests a brief outline of our world trade banking connections in general.

Let us go back to the draft put into the local bank by the manufacturer in an inland factory town. By following it through several channels we will get a glimpse of American banking abroad. If blind routine governs, probably it will be turned into the banking organization of some other country. But if his local bank, or some city bank through which it deals, has been enterprising in the matter of world trade, it will be handled in other ways.

First, it may be handled by a bank belonging to an association without branches in South America, but maintaining correspondents there in the chief cities. These correspondents may be foreign banks, but in some cases they are Americans. Such associations of banks, and also some individual banks with their own correspondents abroad, have been very enterprising in encouraging world trade and facilitating its financial routine for the manufacturer. But their chief effort has been at home, and in the opinion of impartial au-



thorities they have still much room for improvement in their connections abroad.

Second, the manufacturer's draft may find its way to a bank in a city like Boston, which buys millions of dollars' worth of Argentina's wool and hides, and which has had business enough to establish its own branch in a single city, like Buenos Aires.

Third, there is the bank big enough to establish branches in all the capitals of South America, and sub-branches in the lesser cities. This takes money, organization and faith—so much of them that only one city in the United States has enough world trade to justify it, and only one banking institution in that city has had the means and courage to set up shop all over the world in advance of growth in our world business. This single bank is our largest financial institution, next to the United States Treasury. It has many ramifications through the American business world, and is especially identified with big corporation finance. So Americans abroad often view it suspiciously. At home it is regarded as a "trust" serving the "trusts," abroad its branches may look like tentacles of the octopus, and the business man pitted against great corporations at home fears that the use of this banking organization will draw him into the toils. With time, service and experience of this banking organization, it is to be hoped that prejudice will disappear. The bank is certainly working hard and spending money to consolidate and increase American world trade.

Our remedy for trust control being competition, it is reassuring to know that the other two kinds of bank-

ing connections are thriving. The single bank that reaches out from Boston, or New Orleans, or whichever point may have developed trade in particular products, opens a branch in Buenos Aires or São Paulo, and finds that straight banking is profitable, and warrants branches in Rio de Janeiro. And the association of banks that starts with correspondents in South America and vigorous promotion of world trade interest in the United States may ultimately grow to the point of establishing its own branches on the Southern continent. In any event, the American business man selling abroad can take his choice of American banking connections.

The first item of bank business in South America is one that would look strange to the bank man at home. That is exchange, rooted in the export and import trade of the different countries. The inland bank teller in the Corn Belt would probably be unable to understand the daily balance sheet of a South American branch bank, because it deals with pesos, pounds, dollars, francs and other currencies, converted into each other at varying rates of exchange. An American branch bank manager in Chile pointed out to the writer one item in the daily balance that represented, as nearly as he could explain it, profit and loss from the overlapping of different currencies too small to be figured on individual transactions.

"There is no way of getting that item off the books," he said.

According to the stability of currency, a country's purchases and sales abroad, or even the arrival of sev-

eral ships the same day, with goods and drafts, the exchange rate rises or falls. If the ships come from England, merchants need funds to take up London drafts, and the local value of the pound sterling rises, while perhaps the dollar falls. Next week big shipments arrive from the United States and the dollar stiffens. These fluctuations mean profit or loss to the importer who must buy pounds or dollars with his pesos. Sometimes the option of taking up drafts within a week, instead of the day they are presented, will save him a tidy sum in exchange, and sellers, who understand that, grant such options to responsible customers, giving special instructions to the bank that collects their draft. Fluctuations in exchange usually mean profit to the bank, because it is selling and buying the different currencies, with an ample "split" between the selling and buying prices. Exchange is so profitable to banks, in fact, that bankers sometimes keep their rates confidential by "gentlemen's agreement."

Another source of bank earnings is deposits of South American business houses. Simply to hang out the sign of an American bank in the big business centers of the continent attracted deposits. On the day that the American bank in Rio de Janeiro moved into new quarters, celebrating with champagne and cakes, several hundred new accounts were opened, practically all new business taken from no other bank.

"Walk down the street with me to the American bank," said a Montevideo importer to a Yankee salesman.

"So you bank with us Yankees, eh?" asked the American.

"I bank with everybody," was the reply. "For American purchases with the Yankees, for British trade with the London branch bank and likewise the French, Italians, Spaniards. And for up-country business here in Uruguay, with the bank of the Republic."

In contrast, there is an interesting illustration of our own provincialism in banking matters. As the financial center of the United States, New York City has many branches established by foreign banks—British, Canadian, Australian, South African, French, Italian, Dutch, West Indian, Japanese, Chinese, the great British banks in South America. Under the banking law of New York State, these branches are not permitted to conduct an ordinary deposit business. This law was evidently passed with the idea of preventing competition with our own banks. Experience in London and other financial centers shows that a policy of freedom to foreign branch banks, far from hurting home financial institutions, simply facilitates and increases world trade by providing new capital. Now that we have learned this by establishing our own branch banks abroad, and with the possibilities of retaliation against our own banks in other countries, steps are being taken to change the law.

The daily routine of Latin American banking differs in some ways from our own. Checks are not used as extensively, but the American banks are encouraging them, and through teamwork with legislators have improved the laws relating to checks in some of the

countries. An importer paying duties at the customs house may draw out cash for the purpose. The bank teller counts it, the importer counts it, the customs house counts it, and it goes back to the bank to be counted again. Thus hundreds of people are busy counting money and carrying it about, when a check would reduce all that work to simple bookkeeping entries. The South Americans are beginning to see the economy of the check. Cancelled checks are not returned to the depositor, but kept by the bank, according to law, to be produced by court order if litigation arises. The cost to the bank of storing millions of checks is a serious item of expense. A check presented for payment over the counter is not paid directly, with a cheery "Good morning," as in the United States, but is scrutinized by one teller for balance, and another for genuineness of signature, and paid by a third teller. The payee is given a numbered brass tag as a receipt for his check, and waits five to ten minutes for the money. Some items which we handle quickly over the counter, such as the sale of drafts and payments on letters of credit, are spread over several hours. Papers are made out in another department, and the customer drops in again for his draft or money. Latin America's banking routine is really European, and offers many opportunities for speeding up, labor-saving machinery and automatic safeguards. The American banks have introduced many of these short cuts, but at the same time find that routine cannot be changed too fast.

Personality enters into Latin American banking to a greater degree than our own. There is little govern-

ment regulation of banks as we know it. Friendship enters into business everywhere. Latin American countries are all hungry for credit and capital. Longer chances are taken in extending loans and credit, with correspondingly higher interest, and family connections and character often count more as security than collateral. Therefore, the bank man who rises to executive position will know practically every man of prominence in the community, and probably family life affairs as well. In countries of sparse population where the banking may involve the inspection and sale of soil products as well as advances on crops, and maybe mining or other operations, the banker and his executive assistants will be personally acquainted with people, localities and conditions throughout a good-sized republic.

## CHAPTER V

### THE TOOLS OF THE TRADE—OUR OWN SHIPS

An American traveling man lunching at a manufacturers' club related an incident which had come under his own observation in one of the West Coast ports of South America. That coast has no docks. Freight is discharged from ships into lighters in open roadsteads, often in a rough sea. The great depth of water makes port construction difficult. Virtually, all freight is landed on a mountainside. A shipment of delicate American optical apparatus was swung overside, and several tons of steel bars dropped on top of it, smashing the boxes of optical goods.

"The significant thing for me," concluded the traveler, "was the nationality of that ship—it belonged to a country which is our most formidable competitor in such apparatus."

"By Jove!" exclaimed a listening manufacturer. "Maybe that explains why we have had so much breakage in our shipments of vacuum bottles to the South American market. I never thought about the nationality of the ships before!"

If a farmer in Oregon or Iowa took his apples down to the railroad station for shipment to New York and saw train after train stop to load wheat, wool and hogs,

but never find room for his apples, so that they rotted in the boxes and barrels, the Interstate Commerce Commission would hear from him—quick. But because he has not realized that ocean transportation is just as important as railroad service, his apples have often been left on the dock in American ports served only by foreign steamships.

If wholesale merchants in Chicago and St. Louis invited retailers in Texas to come and inspect goods twice a year, and make their purchases, and there was fast train service from Texas to Chicago, with dining and observation cars, while travel to St. Louis was on accommodation trains, Washington would hear from St. Louis, naturally. But because we have let foreign steamships monopolize passenger travel from South America to the United States, precisely the same situation has confronted the South American merchant enterprising enough to go to market himself. As between New York and European markets, he has had the choice of a way train to our country and a luxurious merchants' limited to England, Germany, France or Holland.

For world trade we need our own delivery wagons.

Occasionally John, Fritz or Ole may carry a load of bulk cargo for us at bargain prices. But they cannot deliver our manufactured goods as well as we ourselves, and they would be fools to do so in view of world trade competition. Under certain conditions they become, not common carriers, but rivals.

At this writing, the outlook for a real American Merchant Marine seems brighter than at any period



since the disappearance of our fast Yankee clippers before the Civil War. Under the Merchant Marine Act of 1920 (the "Jones Bill") American shipbuilders and shipowners are given exemption from Federal excess profits taxes for ten years, provided such taxes are re-invested in the building or purchase of additional ships, with two dollars of new capital for every dollar of remitted taxes. Ship subsidies have long been discussed in this country, and generally opposed by the people of inland states, who have lacked contact with salt water affairs. Ship subsidies in other countries are usually paid for speed, the carrying of mail, or some similar purpose. A subsidy for speed, naturally, benefits only a few ocean greyhounds. Subsidies for mail are confined to passenger lines, though these may, of course, also operate freight steamers. But under our new Merchant Marine Act, shipbuilders are benefited, along with every class of shipowner. The subsidy is paid for ability demonstrated. The owner of one tramp steamer can, if an efficient manager, put his profits back into the purchase of another steamer. By this law, it has been said, we can practically build or buy three vessels for the cost of two over a period of five years, and with good management perhaps eight ships for the cost of four in the ten-year period allowed by the law.

Foreign shipowners have not only enjoyed seventy to ninety per cent of our ocean traffic since the Civil War, but have resorted to various unfair methods to monopolize the business, and cripple American ocean lines. "Fighting ships" are one familiar form of unfair com-

petition—the assigning of vessels on certain competitive routes to carry freight and passengers at rates below cost until competition is killed. Combinations of ships with railroads have been effective in some foreign countries. Pools, conferences, port regulations, and the like, have also been used to our disadvantage. Most of these competitive methods have been illegal under our own laws. The Merchant Marine Act of 1920 is still more emphatic in prohibiting such methods in the operation of our ships, and provides measures for meeting unfair competition when other nations resort to it.

We came out of the war with a great merchant shipping plant—ten million tons of new steel steamers afloat or building. To man them with American officers and crews, back them with American capital, and put them to work under American management in the hauling of our own exports and imports, required a broad Merchant Marine policy. This policy has been formulated in the present Merchant Marine Act, pronounced one of the broadest measures of the kind ever passed by any nation.

However, not even ships backed by men, money and legislation will make a Merchant Marine.

In the end, success is a matter of understanding and support by the nation—manufacturers, merchants, farmers, mechanics, railroad men, bankers, everybody engaged in production.

It has been pointed out that if China had as many ships as Great Britain in proportion to her population, she would have 200,000,000 tons, or ten times as many as John Bull. Of course, China could not keep the

British merchant marine busy, for even John Bull himself cannot do that with his own trade—he must carry freight for other countries. Neither Brazil nor Argentina would be able to keep busy a Merchant Marine of their own, because they are agricultural countries, with seasonal products, and their ships would be utilized in their own trade only a few months in the year. They are badly placed geographically, as compared with the leading shipping and industrial countries, which lie at the center of the world's trade routes.

A great merchant marine is possible only for a great industrial and consuming country where government, shipbuilders, shipowners, seamen, manufacturers, exporters, importers and merchants are more or less web-footed, have the sense of ships, and work hand in hand to keep them employed.

For example, freight rates from Europe to the West Coast of South America, through the Panama Canal, are lower than from the United States, though the distance to Europe is a couple of thousand miles greater. Foreign steamship owners are not prudish when it comes to discrimination against a competitor. But this is not discrimination—that reduced rate is secured by teamwork between foreign manufacturers and ships—teamwork which we should be doing ourselves.

Ocean freight rates, like those on the railroad, are made according to the value and bulk of the merchandise. Great Britain and Europe normally ship a large percentage of fine products, such as silk goods, laces, watches, jewelry, wines, liquors, cutlery, pharmaceuticals, fancy food products, bric-à-brac, the “article de

Paris," and the like. On such shipments first-class freight rates are charged, as they pay twice as much per ton as the heavier bulk freights carried under second-class and third-class rates. A thousand tons of such fine merchandise goes far toward paying the expenses of the voyage, and makes possible a corresponding reduction of rates on heavier freight.

Our business with Latin America thus far has been chiefly in machinery, steel, foodstuffs, lumber, coal and other bulk commodities. It averages nearer third-class than second. For example, in the last year of normal trade before the war our biggest sales to Chile were fuel oil, paint and varnish, measured in pesos, and after that came mineral products, machinery and crude foodstuffs. But the biggest item of Chile's import purchases was textiles, many of them silks, laces and fine garments. We sold her only 800,000 pesos' worth of textiles, while England sold 12,000,000 pesos, Germany 7,000,000 pesos, France 2,000,000—even little Belgium beat us on the fine stuff!

We need more first-class freight on our ships to even things up.

The sorts of products that make first-class ocean freight are much the same as those that comprise one third of our express shipments at home—fine merchandise of every sort being rushed in small lots to retailers to replenish exhausted stock and give maximum turnover of the merchants' capital. It is the sort of stuff that calls for close adaptation to the customer's individual taste, and for salesmanship, and service, and consumer advertising.

Again, from the shipping standpoint, the East Coast of South America is a blind alley for us, particularly in trading with Brazil. We send out twice as much tonnage as is available for the return voyage. Against our coal, steel, cement, machinery, railroad equipment and the like, Brazil sends us coffee, cocoa, rubber, hides and skins. When European vessels carry our goods to East Coast countries they can load with grain or meat for Europe, whereas we still produce these foodstuffs ourselves, and buy little abroad. If they bring back a cargo of coffee to the United States there is no incentive to carry a return cargo of our manufactured goods back to Brazil. It is better business for them to load American cotton for Europe, to be made up into textiles and sold in South America.

Is it not apparent that American manufacturers, increasing their sales in South America, can furnish the teamwork necessary to keep our own ships running down that coast, and carrying our purchases of Brazilian coffee and other products?

On the West Coast conditions are exactly opposite. Because Chile and Peru ship about two cargoes of nitrates, copper matté and other bulky products for each cargo of manufactured goods they import, direct cargoes between the United States and those countries are difficult, and foreign ships resort to triangular arrangements that put us at a disadvantage. Before the war, the world's nitrate trade was largely controlled by Germany, and no opportunity was lost to load the German nitrate carriers with German goods. Teamwork here seems to be a job for American nitrate im-

porters, fertilizer manufacturers and banks, making the United States a strong center of the nitrate trade, to keep our ships busy.

The chief point about South American business, as it strikes a Yankee, is that a wide margin exists for speeding it up and overcoming distance. Imported goods cost South Americans too much money—fifty to one hundred and fifty per cent above New York retail prices. Part of this cost is attributable to tariffs and taxes, some more of it to freight and insurance, and there are liberal wholesale and retail profits. But the long delay between order and delivery, the uncertainty of deliveries, even in normal times, and the cost of delay and uncertainty in interest on capital, along with breakage, shortage and other factors—these are the items that make the retail price of imported commodities too high for any but the well-to-do South American.

Most of the products we want to sell in South America, and in world markets generally, are things that require a backing of service. If you desire, here at home, the latest fox trot for your phonograph or player piano, or your automobile will not run, you simply telephone to a service department somewhere, and it not only takes care of you, but thanks you for the opportunity. If you ask for the latest tango or maxixe in South America, it may be six months old, and if your automobile runs on two cylinders and three legs you are lucky!

Now, in the United States, this service is based on quick transportation. Your music dealer and garage man can get supplies within twenty-four hours by

express, in most cases, if not in a half hour from a branch in their city. The branch, in turn, is supplied by express from the factory or branch factory.

More than half the express traffic in the United States is made up of merchandise traveling to retail merchants, mostly in small lots.

Twenty-five years ago the retail merchant in the United States carried enough stock to supply his customers for a month or more, and turned his stock perhaps four to six times a year. He had to pay rent for a large store to hold his merchandise. To-day, thousands of successful retailers do business in mere holes in the wall, shops the size of a front parlor, in city streets where crowds are greatest and rents are figured almost by the square inch. There is no room to store surplus stock. Every night, through a handy stock-keeping system, replenishment orders go to manufacturers and wholesalers, to fill in missing sizes, and styles, and brands of shoes, collars, hats, hammers, saws, cigars, and cigarettes. Stock is turned weekly in many lines, and every dollar of capital made to work its utmost. And it is all based on quick transportation by schedule. The public gets the benefit in reasonable retail profit margins.

If American manufacturers are going to serve South American countries on the same principle—and this is becoming as fundamental a principle of American business as quantity production—then they must have express service on the ocean. And they will not get such service by dickering with foreign shipowners on the basis of cheapness. They will get it only by routing

shipments by fast passenger-and-cargo steamship lines, owned and operated by Americans in their interest.

Ships are indispensable tools in world trade. Like banks, they render service not obtainable from other nations. They are extensions of our own characteristic way of doing business.

We have made our railroads serve us as the railroads of no other country could. We have built one of the largest merchant navies in the world on the Great Lakes, and have not only service, but the cheapest freight rates in the world. What we have done at home we can do abroad when we realize that there is a national job of teamwork involved. When we tackle this job, then South America and North America will be drawn together, and freed from the isolation due to our neglect in the past.



## CHAPTER VI

### THE TOOLS OF THE TRADE—INVESTMENTS

South American investments are an interesting story. But the story has two distinct angles.

Look at the investment opportunities from the outside, and you are pretty certain to be an optimist, especially if you visit South America itself. The different countries need two kinds of money. They need long distance money for government projects, railroads, public utilities, highways, sanitation. And they need the kind of money that brings with it men who know how to establish industries, develop agriculture, mines and other resources, and personally see that their money works.

The countries are so fundamentally rich!

"Why, Brazil alone could buy any European country outright with her undeveloped wealth!" insists the enthusiast, enumerating her dormant resources in soil, minerals and forests.

Then, there is the example of John Bull, with his long record of Latin American investment. One estimate gives a total of \$5,000,000,000 British money for the seventeen continental republics. The \$250,000,000 interest paid in on that capital yearly equals all our South American exports for a pre-war year. We have

been talking romantically about export trade alone, forgetting investment. But trade follows the dollar more closely than the flag. What are our bankers doing? Ten million dollars' worth of railroads needed to open up an empire in one of these countries, and they hesitate, while yesterday they put that much money into the moving picture business!

But eventually you will hear the inside, and become pessimistic. John Bull's South American investments pay him less than five per cent, and millions of pounds have been lost there by British, French, Dutch and other investors. There are governments paying no interest on national debts, and bankrupt cities, railroads and miscellaneous enterprises. You find that, while the South American himself believes in his country's possibilities, he invests none of his own money in the projects dangled before foreign investors. The reason is interesting—he wants five per cent loans from the foreigner, putting his own capital into city property, land and agriculture at ten to twenty per cent.

After you have investigated both sides you will take to the middle of the road, with confidence in the basic riches and future of South America, yet carefully scrutinizing each investment proposition on its merits. With the heartiest good wishes for your Latin American friends, you will always insist upon knowing where you are to get off.

“The gold brick of the ages!” said an American tramway manager referring to our new interest in Latin American investments. “These countries have milked the European investor. The latter has utilized

his experience to pick up most of the good things. Now they will go after the Yankee dollar and the Yankee greenhorn. Why, just the other day Wall Street took a municipal bond issue down here, and I'll bet nobody discovered what I consider the most important factor in the deal. That city hasn't a penny of revenue of its own—it is controlled and financed by the province, and if the province went broke the city's bonds would be worthless."

The path of a tramway manager nowadays, even in South America, is strewn with brickbats. A few days later this chap's employees went on a strike, so his gloom was comprehensible. What he said about those city bonds was true—but that city has never failed to meet its obligations, nor the province either.

We can discount his gloom, believing better things of South America. Yet European bankers and investors have learned many a hard lesson on the Southern continent. They had become wary before the war, and are even more cautious to-day. South America will not market gold bricks with them as easily as in the past. Nor will it get European capital for legitimate enterprises at three to five per cent, as in the past. Our bankers and investors will do well to profit by Europe's experience.

The South American has a peculiar way of looking at foreign capital. In the past there was plenty of it, and cheap. He has borrowed it on bond issues, for railroads and other improvements in sparsely settled sections, failing to earn interest where enterprises were planned and managed by himself. Or when foreign

investors were given a monopoly, and allowed to plan and manage, he has often hampered them by restrictions, regulations and taxes that made the enterprise unprofitable.

The South American wants the best of everything, but is not accustomed to keeping costs.

A certain West Coast city needed a railroad from its harbor. The line was built to operate by electricity generated by internal combustion engines run with expensive imported fuel. American engineers pointed out that this was about the most costly way of operating that railroad. No matter—the South Americans were proud because they had their railroad, and nobody elsewhere had a railroad like it! Another city suddenly desired a medical laboratory. Equipment which could have been bought abroad for reasonable prices happened to be unobtainable just then, in war time. No matter—it was made at home by hand workers at five times the cost.

Having secured his foreign capital, and got his enterprise running, the South American often becomes narrowly patriotic, and growls about the “foreign exploitation” of his suffering country, and eggs his government on to regulation and restriction. In 1910, for example, the British investment in Argentina’s railroads was \$1,450,000,000 and returned  $4\frac{3}{4}$  per cent. By 1918 the investment had increased to \$1,900,000,000 and the average return dropped to  $3\frac{3}{4}$  per cent, and on \$210,000,000 there was no return at all. Which would seem to indicate that “exploitation” works both ways.

Foreign corporations and branch business houses in

some of the South American countries are systematically saddled with native job-holders. The family is a basic Latin institution. Relatives are placed in positions all the way from presidencies and directorships down to the office boy's job, without much regard for ability—indeed, some of the positions are frankly regarded as sinecures that involve little work or attendance.

The European capitalist now favors a new method of investing his money on the Southern continent. Formerly he was satisfied with a monopolistic concession for a railroad line, a port, a public utility. To-day he prefers control of operation instead of monopoly, with a permanent committee of experts from home to see that the enterprise is conservatively built and worked. Without casting reflections upon South Americans, it must be said that they lack experience in development projects, that they have often borrowed unwisely in the past, and that even in the more stable countries changes of government and policy are still likely to injure enterprises financed with foreign capital.

On the South Americans' behalf it must be pointed out that unwise borrowing in the past has injured their credit, retarded development, and cost them hundreds of millions. Borrowing beyond their means they have been compelled to market securities far below par in the side streets of European financial centers, and purchasers of such securities have lost money through "frenzied finance" as well as the South Americans. To-day they feel that they have had "no end of a les-

son," and it has done them no end of good. Even the smaller and poorer countries are making an effort to correct past mistakes. And some of the republics enjoy the highest credit, based on financial scrupulousness.

An excellent story is told about Chile:

Chile's only revolution since the early days of her independence occurred in 1891, when President Balmaceda dissolved Congress and proclaimed himself dictator. Congress deposed him and organized an army, defeating Balmaceda, who committed suicide. Both parties were so fearful that an interest payment on the national debt coming due in London during the conflict might be overlooked by the other that each of them made separate remittances to London.

It has been assumed that South Americans would not practice thrift, much less invest money in their own enterprises. But an American branch bank in Buenos Aires has demonstrated that the thrift appeal is as potent there as in the United States. A savings campaign conducted on American lines, with advertising, home savings banks, facilities for depositing money where people are employed on pay day, the opening of small accounts by employees, and similar methods, not only enabled this bank to secure thousands of savings accounts in a short time, but led the Argentine government to adopt American methods in its own savings institution.

The American dollar can be exported to South America in two forms—the bond buyer's dollar sent to work alone, and the dollar of the Yankee who goes

along to work with it, in ranching, mining, manufacturing or other enterprises.

The bond buyer's dollar must have safety and good management. Gold brick schemes follow popular interest closely, thereby enjoying free advertising. Much has been printed about South America lately in the United States. Thousands of Americans view it romantically, as a region where nuggets and diamonds can be picked up in the street. Great stuff for the get-rich-quick specialist!

Investment bankers complain that the American bond buyer does not yet know South America, and that creating a market for its bonds is a matter of time and education. The gold brick promoter's demand has already been developed. Remoteness and ignorance are, to him, not handicaps, but selling factors. If he gets in his work first, it will be bad for legitimate securities, and bad for South America. So every effort should be made by investment banking interests to safeguard the American dollar that is sent south to work alone.

The experienced American investor, on the contrary, is often unwilling to buy sound South American securities because he knows nothing about the countries, municipalities or corporations that issue them. Again and again our bond bankers have investigated the financial needs of a South American republic or city, found the security good, but refused to take an issue of bonds because the American investor had never heard of the locality. Selling the bonds would, therefore, involve an education in South American geography.

An issue of school bonds by some rural county in the United States could be sold with one-tenth the effort required for bonds of a city like Pernambuco in Brazil.

Well-sifted South American bond issues should be so much like our own that investors could purchase them simply because offered by a responsible bond house. To do more business in South America we must lend more money for the development of the countries. To lend more, we must learn more about them, especially their local problems and projects. Local development in the United States has been largely carried out by teamwork between bond bankers and communities. South America is not different in any essential respect. We have the money and the investment machinery. We must "bone up" on the geography.

Some of the busiest and safest American dollars working on the Southern continent are those invested in meat packing, mining, the distribution of petroleum products and similar enterprises of strong American corporations. Much of this capital is secured by bonds of the American corporations, and the investor not only buys such bonds confidently, but the question of "educating" him in South American values doesn't arise at all, because he may not know that his dollar has a job in Buenos Aires instead of Chicago. American mercantile houses also have extensive investments, with branches for distribution of American products in the West Coast countries. But our investments in South America proper do not yet compare in magnitude or diversity with those in Central America and the West



Indies, where American capital is engaged in sugar, mining, fruit, general agriculture and a wide range of commercial enterprises. The direct business value of such investments is graphically shown in percentage of export and import trade done with those countries—it exceeds fifty per cent, and in some cases approaches seventy-five per cent, whereas a rough average for South American countries would be from twenty-five to thirty-five per cent.

Our strongest present investment tendency in South America is along this line. For example, one of the big locomotive concerns has settled an executive in Rio de Janeiro, with instructions to grow up with Brazil's transportation development. Whatever form this company's participation takes, whether planting, building or operating railroads, establishing plants for assembling or making railroad equipment, capital may be secured upon its own bonds or stock issues. Even if Brazilian securities be issued, they will be backed by the judgment and credit of American business men.

For the dollar that works under the supervision of its owner there are plenty of opportunities on the Southern continent. When war cut off supplies of manufactured goods, South America began to establish industries of its own. To-day in most of the countries there is a boom in "productos nacional," or things made at home. These comprise local industries, such as beverages, baking, printing, furniture, tobacco, repair shops and the like, also working up raw materials of the country into fabrics, clothing, leather, shoes and so forth. South American prices for these things come

pretty near being the highest in the world, and substantial tariff protection is given new industries. British capital is being liberally invested in South American textile mills, shoe factories, and other enterprises. This is a field where experience is needed, as well as ample capital. Nobody should be encouraged to set up a factory in South America on a shoestring. And yet, such is the futility of advice that probably many a Yankee during the next ten years will succeed on a shoestring, investing his experience in making characteristic Yankee things like good ready-made clothing, for which there is unquestionably an attractive field.

There are opportunities in farming, if one has capital. Some of the countries, such as Argentina or Uruguay, have passed out of the pioneering period and reached fairly high land values, balanced by the advantage of packing plants that afford a market for their cattle, hogs and sheep. But other countries, like Brazil and Paraguay, are still where Texas was a generation ago, and offer opportunities to the rancher who knows his business. In tropical regions there are opportunities for fruit-growing, fibers, cacao, coffee and rubber, as well as getting such products to market. Mining, lumbering and transportation are still other fields. For the most part, they require large capital and corporation methods, yet one-man construction and operation of a railroad is not unknown in the back regions of a transportation-hungry country like Brazil.

Whether such opportunities are more abundant or attractive in South America than at home, all depends.

The Southern continent is not as crowded as our own—but neither does it possess the consuming demand of 115,000,000 people, nor is the individual living standard so high. Excepting the Canadian boundary and transportation costs, North America is all of a piece, whereas South America comprises ten separate countries. Very little trade is done between them. Distances are immense, and transportation lacking. Each province or state is often a little country to itself, collecting local taxes on industries and products. These taxes are often increased as the industries thrive, and may even kill them.

An amusing story told in Brazil was that of a farmer who, responding to hungry demands for Irish potatoes, planted a large acreage. The potatoes thrived beautifully, against popular superstition that they wouldn't grow in that region. But the local authorities promptly assessed such a tax on potatoes that the farmer was unable to dig them.

South America is a wonderland of undeveloped riches. But it is not a land of easy money either for the immigrant or the investor. Both the optimist and the pessimist can find facts about it to demonstrate their conflicting views. The safe and sensible view lies between, in the middle of the road.

## CHAPTER VII

### THE TOOLS OF THE TRADE—DISTRIBUTION

Nothing in South America seems to puzzle American manufacturers quite as much as the dealer—the retail merchant with the shelves, show windows and service, through whom they distribute their goods at home.

There is an ample technical literature describing the South American merchant, but it bristles with strange terms—direct representatives, importing agents, merchant agents, wholesale importers, retail importers, coast houses, up-country houses.

These are really the dealer as we know him at home, but in different guises, according to the size, population and purchasing power of his territory. You can do business with him when you know him, and probably utilize a good deal of your dealer experience at home, for his benefit and your own.

In Buenos Aires and Rio de Janeiro there are importers who sell to jobbers only, importers who wholesale to retailers, department stores that import direct, and a consumer turnover large enough to warrant direct representation through one's own branches in many lines.

Cross the river to Uruguay, however, or over the Andes to Bolivia and Peru, and turnover shrinks down

so that importer, wholesaler and retailer are all jumbled together, and direct representation through your own branches is unprofitable unless there is special demand for things like pneumatic drills up in the mines. Follow the coast up into Central America and the importer is a wholesaler, retailer, banker, money lender, produce buyer, shipowner or anything else that may be necessary to get business done.

It is the cities, and the two largest republics of Argentina and Brazil, with sixty per cent of South America's population, that appeal chiefly to our business imagination. So long as we can distribute on lines reasonably like those familiar in our Eastern states, we understand the game. But the real South American outlet is a country general store, selling plows and penknives, cotton duck and dynamite, and taking payment in wool, goat skins, coffee, rubber and vegetable ivory.

The American visiting the Southern continent for the first time, and calling upon his representatives, is usually astonished by the diversified character of the goods they handle, and the many kinds of business that they transact. They are importers, exclusive agents, wholesalers and perhaps retailers. Automatic scales and safety razors, tooth-powder and bacon, plows and steamship tickets, are sold wholesale or retail, and your agent's premises resemble an auction room or a junk shop. Back in the country his traveling salesmen are working, with samples of everything under the sun. If they cannot sell the country merchant an automatic scale, perhaps he will buy a fountain pen, or stock a

dozen cheap watches. The up-country retailer carries just as motley a stock, buys produce, lends money, extends long credits to his customers, and tides them over harvest seasons and crop failures. Except in a half dozen large centers the country general store is the principal distributing outlet of South America, and the Briton, the German and others who have lived long with the trade on the Southern continent understand this, and do business in the flexible way imposed by the conditions.

Even in Brazil and Argentina the general store obtains outside the cities. Rio de Janeiro has its department stores and specialty shops for French gowns and bonnets. Direct steamers from Europe to Pará, Bahia, Pernambuco and Santos (the port for Sao Paulo) give those centers import houses, which are visited by traveling salesmen from the industrial countries. But in Southern Brazil, where ports are visited only by coastwise steamers, and the turnover in imported goods will not bear the expense of traveling salesmen from Europe or the United States, or afford commissions large enough for exclusive importing, business has to be done on the general store basis.

South America is like our Western states contrasted with the thickly populated East. As at home, one begins by selling to retailers direct through one's own branches, and a little farther west to large wholesale concerns, and still farther on to local jobbers, and finally to retailers who job to small merchants back in the country. The goods get farther and farther away,

the individual order smaller, contact more difficult, turnover less frequent, and terms more flexible.

The aggregate of all this scattered business is worth while at home. Our manufacturers push goods as far as they can by saleswork, and then pull at the other end through consumer advertising. They may not be able to visit the distant retailer, but they send him selling helps. Through sales of car lots, in many cases, they are able to increase the turnover of the small jobber on what might be called their sales frontier, and to help the capable retailer beyond the frontier perform jobbing service.

We do this at home because we know all the machinery, and the fellows who run it, though they may be two thousand miles away, and we have never seen them. We speak the same language, linguistically and in business methods. We can do it in South America when we know the machinery and the men. There is a difference in language, and also in thinking to some extent, but these are interesting variations—not obstacles.

The best way of getting acquainted, of course, is by a personal visit to South America, beginning with the cities and following trade ramifications right out into the pampas and the mountains. This calls for an investment in money and time. One should know Spanish, if not Portuguese, and expect to rough it occasionally.

A Yankee export manager was sent on such a trip by his house. Late one night, after a week on horseback, he reached a little village in the interior of

Brazil. They showed him into a room with three beds. Dropping asleep on the first, he was wakened by bugs. The next bed looked cleaner, but fleas drove him out of that. He retreated to the third, where the ants discovered him before morning. But he learned something about Brazil—that the Brazilians make the best hammocks in the world, and a hammock is the thing for such trips. Because he went into the back country and learned how goods are distributed to the last consumer, his house now has branches, and a volume of business that may ultimately warrant its own steamships.

It is possible to learn much about the South American dealer at secondhand, and by an odd kink in the distributing machinery, the greater the distance he is located back in sparsely settled countries, the more directly he is linked with distributing machinery in the United States.

Central America and the West Coast countries are commercially the most remote. Their purchases are smaller, fewer Americans are found in them, their people live in inaccessible mountain regions, and hardly any line of products warrants branch representation or even regular visits by salesmen. But these countries enjoy better steamship, mail and cable service with the United States than the East Coast, and service through large American concerns that sell them our products and find markets for their own. These concerns have large organizations in the United States, and their business is departmentalized, so that anybody seeking information about better distribution of adding



machines, cotton hosiery, shotguns, or tomato catsup in those countries could find a competent adviser in New York or San Francisco.

Our banks in South America are excellent sources of information. Primarily, they supply credit data, make collections, advise about documents, terms, tariff regulations and other details connected with actual shipments. But there are men of imagination in their organizations, both in Latin America and at home. These men are ready to make suggestions toward bettering dealer distribution in any line. Better dealer distribution means more business for the bank. If they do not know how to advise in a specific line or locality, they will go out and investigate. The big idea is, that somebody really wants to get closer to the Latin American dealer.

Next come organizations of American business men on the Southern continent, such as the Chamber of Commerce of the United States in Buenos Aires (Calle Bartolomé Mitre 455), the American Chamber of Commerce for Brazil in Rio de Janeiro (Avenida Rio Branco 110), the North American Chamber of Commerce in Valparaiso (Calle Prat 271), and the Rotary Club of Uruguay (Herbert P. Coats, Calle Sarandí 469). Information given by these organizations will be secured either through special investigation or from members engaged in the particular line about which it is sought.

Special information is also obtainable from United States consuls and the commercial attachés at our embassies, now known as trade commissioners and working

under the Bureau of Foreign and Domestic Commerce.

The idea of helping him move goods after you have sold them to him and got the money is decidedly new to the South American dealer, even where he has a fine city establishment. The manufacturer is far off, in Europe or the United States, so that distance has made teamwork difficult.

An American optical concern sent a representative to Buenos Aires, not to sell goods, but to create interest in dealers by demonstration. The first dealer upon whom this representative called complained that the American products were not as good as the German, formerly dominating that market.

"What makes you say that?" asked the American.

"My own experience," was the reply. "I have two cameras, one German and the other your make. The German camera always gives better results."

"Will you let me test them both?" asked the American. And by making pictures with each camera, and submitting them unmarked for the Argentino's opinion, he himself pronounced the work of the American camera superior. Having sold to the man behind the counter, this representative called upon photographers, oculists, users of microscopes and other apparatus, giving technical information and creating demand for dealers.

Because the idea is new, and also because many dealers in South America are country merchants, dealer aid cannot be as direct or elaborate as in the United States. Propose a "Paint Up" week to the shopkeepers of Chile, and they would neither know

what you were talking about, nor have the organization to carry it out. But it is entirely feasible to help them increase paint sales by methods that work automatically.

For example, window and counter display devices are a novelty in South America. The Germans alone made efforts along this line, and displaced unattractively packed British goods, putting their scissors on counter cards where the British article, wrapped in paper, was kept out of sight in a drawer. We lead in such devices, and if our goods reach the South American dealer in novel display containers, and he finds them selling themselves, he will see the point.

An American woman took charge of a sal-soda factory in Rio de Janeiro. There were 1,200 retail grocers in the city, served by a few wholesale houses that would have overloaded the retailers. A trade-mark was adopted for the product, and she began to call upon the grocers herself. Sal-soda is a laundry essential in Brazil, washing soap being very expensive, and caustic soda, the universal substitute, destructive to clothes. Samples were given dealers, and a very small bag of the chemical placed for sale—a ten-pound bag, sixty-three cents wholesale, to be sold in bulk by the nickel's worth. Very often a second call showed that the little grocer was selling the samples. The average grocer's shop in Rio de Janeiro is a pretty small affair, with its fifty-dollar stock of dried meat, salt fish, rice, beans and similar bulk staples. But specialties have been introduced by sampling and personal work, and advertising

has an effect upon sales when distribution is secured first.

Very often the retail merchant has no show window. In the cities it is almost the universal custom to draw iron shutters down over shop windows at night, and during the two-hour noon "breakfast," when everybody closes up shop and goes home. So window dressing material will not be as useful to him as signs, transparencies, pictures, placards, posters and cut-outs. Pictures of handsome women, and particularly our show girls, always attract attention. The movie fans of South America, women as well as men, decorate their rooms with portraits of film stars. Pictures of the big and characteristic industrial things in the United States are also interesting in countries where industry is not so well developed—big buildings, workforces, machinery, and the like.

Go into the American farmer's home, and you will find tropical pictures, usually—palms, cocoanuts and bananas. And in the hut of the Brazilian rubber gatherer you are pretty certain to find ice and snow pictures of some sort. This illustrates the universal human interest in what is remote and different, and gives a suggestion for planning dealer aids.

Containers offer sales possibilities. There have been cases where American manufacturers, proud of a sudden demand for their goods in South America, discovered that demand was really for the containers. Glass, china, fiber, metals and even wood are so scarce along the West Coast that people come out in boats when a ship arrives and eagerly gather every bottle,

crate and can thrown overboard. "Yes, señor," said a West Coast druggist when asked for a certain chemical, "but you must supply the bottle." Many of the double purpose containers which we have evolved could doubtless be adapted to South America to stimulate sale.

Samples are appreciated by the dealer. Advertising novelties and trinkets also come in handy. The premium idea, by which coupons or labels are redeemed, has apparently never been widely applied on the Southern continent.

Dealer aid will be a good thing for both the Latin American merchant and the American manufacturers.

To the merchant, it is the beginning of a better way of doing business. His turnover is slow, and often small. His profit margin must be correspondingly large. Money costs him high interest rates, and he needs a great deal of it, because his goods travel long distances, and his customers require long credit. Dead stock clutters his shelves, and he will keep it to the end of time, hoping to get his money back with the regular profit rather than clear it off on the bargain counter, of which he may never have heard. It will be a good thing for him, and for the public in those countries of excessive prices, when quick turnover makes his money really work, and lowers prices and profit margins.

For the American manufacturer, dealer aid will bridge the gap of distance and indifference that now makes so much of our South American business haphazard, irregular and irritating. Goods will be supplied regularly, in many cases through reserve stocks in the Southern countries, volume being built up so

that this becomes practicable. The South American merchant's aversion to trade-marked goods will be broken down when he understands that trade-mark is another term for turnover. There will be less shoddy and substitution, at present the cause of irritation in his dealings with us, because unscrupulous middlemen will be eliminated, both in the United States and in South America.

Briefly, dealer aid is simply getting on to the South American merchant's side of the trade, looking at things through his eyes, and helping him with a knowledge of his conditions, difficulties, ability and temperament. It has worked in America del Norte. It will work in America of the South—if we work it.

Interest in and support of American chambers of commerce abroad is strongly urged upon American business houses. These organizations become necessary as soon as our trade with a given country assumes respectable volume. They undertake adjustments where misunderstandings and disputes arise concerning shipments of goods, work for better shipping service and business regulations, make investigations and reports, and conduct other activities, the cost of which is heavy, measured by their membership of perhaps a few dozen Americans on the spot. Through associate membership, costing from \$50 to \$100 yearly, business concerns in the United States can assist them financially, and such associate membership almost invariably brings excellent value in reports, bulletins and special service available to members requiring information about the countries where they are established.

## CHAPTER VIII

### THE TOOLS OF THE TRADE—AMERICAN RETAILING

Inside and indoors, the South American is French—as a matter of education, reading, culture and ideals.

Outside and outdoors, he is English, drinking his five o'clock tea, wearing drab London clothes and ties, going in for soccer football, tennis, rowing—and lately even golf and the “match de box.”

Which is curious, when one remembers that his real motherland is either Spain or Portugal. The trade of these latter countries in South America is negligible, however, and their influence through literature or education nothing at all. There is a sentiment so strong the other way that it amounts to prejudice. Spanish influence in sports is illustrated by one bull-fighting arena in all South America, with a few professional games of the Basque pelota, a form of handball that serves small gamblers like our “bucket shops.”

French and British influence are partly psychological.

The Spanish American and Brazilian both need a second language to acquire an education, as the world's literature and science are published chiefly in English, French and German, and cannot profitably be trans-

lated into Portuguese or Spanish. French has been the other language of the South American.

British influence began when English, Scotch and Irish adventurers helped the Spanish American countries fight for independence, and was followed up by British commercial colonies and intermarriage. In commercial matters the South American has always turned to the Britisher.

But there is another influence which we have overlooked in our export studies of South America—that of the retailer.

La Señora buys her gowns, hats and lingerie at French shops in Buenos Aires—not the “near-French” shops of New York, but large branches of famous Parisian establishments. South American homes are furnished largely with French furniture, carpets, draperies and works of art, sometimes bought during visits to Paris, but more likely in shops set up by French merchants in South American capitals.

British department stores are also found in these capitals, stocked almost entirely with British goods in normal times, and so thoroughly British in their methods and atmosphere that they might have been lifted bodily from Oxford Street, save for the Latin employees. The English bookstore is likewise a South American institution, selling much more than books—a novelty shop carrying stationery, games, toys and notions.

For us, there is a vital point in this influence of the retailer.

South America is turning now to Yankee things.



War brought our products to its doors, and gave us a better reputation nationally. It was learned that we were not too soft to fight, nor too money-loving to fight on the right side. The South American began to visit the United States, liked it, let himself go a little in cravats and socks, learned English for another "other language," arranged to send one or two of his boys to college in the United States, making them engineers instead of doctors of law. This is not a passing fashion, nor a matter of sentiment. As France and England have given him definite values, so he sees value in what we have to offer—the genius of the practical and a knack at handling big things which are now needed in the material development of his country.

British and French retail enterprises were started in South America in days after the rich Argentino burst upon the astonished shopkeepers of London and Paris. Those were days of sudden wealth made in pampa lands considered worthless by the previous generation. One generation bought the land for a dollar an acre after President Roca's government had exterminated the savage Indians, in the early eighties. The next generation found millions pouring in as profits on tenant farming. Sometimes the same generation made and spent the money, as in Blasco Ibañez' *Four Horsemen of the Apocalypse*. The spending Argentinian demanded something better than the very best in every line of merchandise. He paid for it with a prodigality that made the Yankee millionaire comparatively uninteresting as a spendthrift. John Bull and Mlle. Jeanne lost no time in setting up shop where such

wonderful customers lived—they headed straight for Buenos Aires.

Of course, times have changed since then. Argentina's prosperity has waned, and then returned, waned and returned again. Based on meat and grain alone, it is subject to speculative fluctuations. But with his recent ups and downs, the Argentino has gained balance. No longer the parvenu of the pampas, he buys with discrimination, and still has a per capita expenditure exceeding that of other world capitals. His present prosperity is probably good for ten years, because Europe is desperately short of his products.

European retail establishments have been extended to other South American cities. Buenos Aires, Rio de Janeiro, São Paulo, Santos, Montevideo, Santiago and Valparaiso are the chief centers, and each has one or more British department stores, branches of concerns like Harrods, Gath & Chaves, Mappin & Webb. These retail enterprises pay handsome profits in themselves. More important, they afford ample, continuous outlets for British and French goods, particularly the products of smaller manufacturers who might be unable to market their wares through regular export channels.

As our South American trade grows, and the demand of that continent expands, there will be room in the chief cities for American retail enterprises too—department stores, five-and-ten-cent stores, chain stores, and the like, managed in our characteristic way. Competent observers say that there is room already for individual American retailers in such lines as hardware, carrying complete stocks of mechanics' tools,

builders' hardware and other ingenious Yankee "iron-mongery." An American who dropped into Santiago, Chile, and began retailing hardware in the way that he had learned to retail it at home made such a hit with the Chileans that an enterprising German concern bought him out—it valued that sort of outlet. Or so the story goes.

Energetic retailing is needed in South America to cut profit margins, increase turnover, and give the public service. And it is needed to open up a road to market for thousands of American manufacturers who cannot afford individual selling effort or direct representation on the Southern continent.

Seventy-five per cent of our normal exports to South America are the products of large corporations with capital to finance the trade and maintain outlets of their own in the form of branch houses—farm machinery, sewing machines, electrical appliances, and the like. But to build and hold trade that way is almost impossible for many small concerns.

Take the needle trades of New York City as an example. Their endlessly diversified output of "ready-to-wear" for women, children and men has been built on our middle-class demand. A generation ago our middle class wore "hand-me-downs" or home-made clothes. That is what the small but emerging middle class wears in South American cities. Between the French gowns of the Delegado's wife and the calico shift of the washerwoman there is hardly anything to be purchased in the shops—no serviceable, decent-fitting suits at twenty-five to thirty dollars, no smart medium-price

shirt-waists, tailored skirts, cloaks. What the shops show are either expensive approximations of French styles in good materials at high prices, or shoddy imitations of the imitations at prices which would buy real clothes in the United States.

Set Potash & Perlmutter down in South American cities, and the shops would remind them of the days when they first emigrated to America, "since long before the Spanish war." They would discern dozens of opportunities for introducing their line, and those of their friends. But against high tariffs, distance and other handicaps they would stand little chance of opening up real outlets by their own unaided effort. There is probably no needle trade concern in New York large enough to enter South America in the same way as, say, the Singer Sewing Machine Company. Some of the needle trade associations are keenly interested in the possibilities. But with patient introductory work to be done for a class of goods with which those markets are still unacquainted, and the chief retail outlets controlled by British, French, Italian and Spanish merchants, there are obvious difficulties.

What would a genuine American department store mean in this situation?

Up through New England, thousands of small factories make tens of thousands of contrivances that save labor and time in the day's work, add comfort to the home, make life easier generally. Similar industrial centers are found west beyond the Mississippi, each with its characteristic products of comfort, convenience, pleasure, ingenuity. Our own trade channels at home

are now so well organized that the small manufacturer's products slip into the market a state at a time, and ultimately reach national sales and a basis for broad consumer advertising. To establish themselves in a single South American city, by their own unaided effort, would take more money, time and study of unfamiliar detail than are needed to add a whole new group of states to home distribution. Here comes in the greatest competitor we have in world markets—our overwhelming consuming demand at home.

But if there were American retail outlets in South America, and active buying of new products in the United States to keep them stocked with novelties, the case would be altogether different.

South America needs its Selfridge, Woolworth and Whalen.

Its staid British department stores remind one of London before Mr. Selfridge invaded it from Chicago. The polite floorman in his formal garb greets you at the door, and turns you over to an assistant. If the assistant does not make a sale, he turns you back to the floorman, London fashion, so you may not escape. If you make a purchase, the assistant accompanies you to the wrapping counter, and then to the cash desk, where you pay. In busy hours you may wait ten minutes at each place. The assistant waits with you, losing a dozen sales meanwhile, and you are lucky to make two separate purchases in the hour—but the safeguards of British retailing are observed. If you cannot speak Spanish, they may let you wander around at will

and look at merchandise for the mere pleasure of the thing—a crazy foreigner.

The idea of a store as a permanent exposition of merchandise—beautiful things to be looked at even by those who cannot afford to buy—is still novel, as it was in London when first introduced. In South America it shows in antiquated window dressing and the scarcity of counter and interior displays. Every concession made by the conservative British system in Buenos Aires, such as the tea room with its orchestra for a meeting place in the afternoon, and the “American soda fountain,” has been enthusiastically patronized by the Argentinos—and for a reason.

“All dressed up everywhere, poor dears, and not a darned place to go!” was an American woman’s comment upon reaching the last of the big South American cities.

“What?” the reader may exclaim. “Do you mean to tell me that South America is not gay, with its opera, races, clubs, boulevards—the Latin temperament, the Latin culture?”

And the answer is, that even Buenos Aires, largest of all the capitals, and much like Paris in many ways, lacks meeting places. Our hotel life is practically unknown. There are cabarets, but they begin at midnight—and ladies do not go. The movies—yes, but still in what our exhibitors call the “store stage,” with real movie palaces yet to come. The great outdoor sport in Buenos Aires is gathering in narrow Florida, the shopping street, to see the señoritas go by. In a smaller capital like Santiago there will be a single

corner in the small shopping district where all the gay young bloods line up at ten minutes to twelve and inspect the señoritas until noon strikes, when everybody goes home to lunch or "breakfast." In still smaller places there is only the plaza, with its promenading, gossip-hungry crowds on band concert nights.

A South American girl is kept home by her parents until she marries. After that she is kept home by her husband. If you step out into the street some morning and find them suddenly filled with bewitching brunettes, do not be astonished—these are the señoritas and señoras of the first families, and they want to pin a ribbon on you for a peso. It is the field day for some charity, a chance to get out, a great lark. To-morrow they will all have disappeared.

Be it remembered that the South American home is a wonderful institution, where family life centers and expands in a way unknown to us, with our flats and suburbs. The wife devotes herself to her children. Large families are still the rule, and there are innumerable relatives.

Yet the old order changeth. Women are watching our life in the movies, and aspiring to greater freedom. The girls are watching even more keenly than the women. To-morrow they will all want to vote, probably—mayhap even before male suffrage is universal in South American countries. If American department stores could be set down in half a dozen Southern capitals, they would satisfy a very definite demand, capture the carriage trade in a body, and begin turning the baby carriage trade into what all South America

needs and longs for—a well-dressed, well-housed, comfortable middle class.

The growing tide of Latin American visitors in New York has led some of our great shops to serve them through interpreters, and follow that with shopping facilities, so the customer returning to his or her own country can have goods chosen by some one who understands personal needs. This adaptation of the shopping service familiar at home, maintained for the convenience of people out of town, has lately been carried further by one New York store with an "extension shop" in Havana. The extension shop displays fashions, clothes, furniture and other merchandise, taking orders to be filled from New York. The originator announces that, if successful, it will be made permanent in Havana, and carried to other Latin American capitals. However, all these ingenious services are but a substitute for regular American stores and shops, permanently located in the Southern centers, doing business on regular mercantile lines.

The best principles of American retailing are wholly novel in South America.

For instance, the principle that goods exert a fascination of their own, and that they can be sold almost automatically if skillfully displayed. Proper display with us means exhibiting a single article so that people can visualize it on their backs, or in their homes, and also showing it alone, with no other merchandise to distract attention. The South American window dresser's idea is to requisition from stock all the garments that can be crowded into the space at his disposal,



marshaling them on dummies, shoulder to shoulder, with price tickets. Sometimes he adds cards with such comment as "Muy bonita," "Qué linda," "Hermosa," meaning "Very pretty!" "How handsome!" "Beautiful!" But probably it has not occurred to him to have the wrinkles ironed out.

Fascination of merchandise never gets a chance to work through the printed word. South American stores spend considerable sums of money in advertising, but seldom select attractive offerings for individual description, much less build themselves up institutionally, like our great stores, by frequent talks about policy. Announcements in the newspapers are on the general level of our cheapest bargain sale emporiums, with the everlasting "Sale" theme:

LIQUIDACIÓN!

LIQUIDACIÓN!!

LIQUIDACIÓN!!!

The secret of doing a big business in a little space by turning over stock like the United Cigar Stores has not yet been grasped. Rents are high in South American cities, yet in the main shopping streets of Buenos Aires and Rio de Janeiro one may see tobacconists, with about one-tenth as much stock as Mr. Whalen's organization would pack into a shop with 200 square feet of area, occupying almost enough space for a Woolworth five-and-ten-cent store. Not only one-tenth the quantity, too, but hardly one-tenth the variety. Every Yankee who goes to South America

has a bone to pick with our tobacco interests for their neglect of that continent, either as exporters or retailers, a neglect brought home immediately by inability to obtain familiar American brands.

Creative buying is another undeveloped field—the teamwork with manufacturers by which the Woolworth organization stocks an acre of counters with articles made to sell within a price limit. If a South American mercantile wizard undertook to start a ten-and-twenty-centavo store, the range of goods available there to-day would probably be smaller than that with which young Frank Woolworth stocked his first packing-case counter. This sort of merchandise is scattered in a dozen different lines of retailing, and sold with small turnover, at double or treble our prices to the consumer.

It must be frankly admitted that the extension of American retail methods to the Southern continent will be no “snap.” Custom must be changed, prejudice overcome, competition met. But neither is it a snap to establish American branch banks, American shipping lines, and other business essentials. One thing is clear—that American methods of retailing have original merit, and have worked wonders at home. Applied intelligently and patiently in South America, with careful preliminary studies, and first rate management, they will work wonders, too, and be invaluable tools in the extension of our trade.

## CHAPTER IX

### THE TOOLS OF THE TRADE—AMERICAN CONSUMER ADVERTISING

One indispensable tool of our trade in South America is consumer advertising on American lines.

It is hardly necessary to explain to American business men of to-day the value of advertising to increase consumer demand, facilitate distribution, and effect economies in selling cost. Principles and methods have been thoroughly worked out.

In South America, for various reasons, our business concerns do not yet back their selling effort with consumer advertising—at least, not to the same extent as at home.

Sometimes this neglect is due to a belief that the South American public is different from that at home, and that the same *principles* of advertising will not answer. Again, the mistake is made of assuming that American advertising *methods* can be extended to the Southern continent without change or adaptation.

Both views are wrong.

In the belief that advertising can be placed by the same methods and machinery used in the United States, some of our advertising agencies got together during the war to give their clients service throughout

**Latin America.** Connections were made with publishers in the Southern countries, and a commendable advertising campaign conducted in the United States to interest business concerns with Latin American trade. The purpose was to simplify advertising to such an extent that an order placed in New York or Chicago would set the publicity wheels running in Rio de Janeiro, Buenos Aires, Santiago, and so on.

From the writer's observation, this plan did not work well, or had not begun to work at the time of his visit to South America. Publishers there who had entered into promising contracts complained that they were receiving little business from the United States.

South America is different from our country in advertising matters because, where we have efficient agencies in every business center, practically but one city on the Southern continent has real advertising agencies—Buenos Aires. There is little need for agency service in the other countries as yet. For lack of industries corresponding to our own, none of them has national advertising. Advertising is chiefly retail, local, and placed without agency service. There may be a few nationally exploited brands of cigarettes, beverages and the like, but there it ends. Even the two or three advertising agencies in Buenos Aires do largely a local business.

This is what happens when we assume that our own methods can be transplanted bodily.

And when we assume that the South American public is different, we err in the other direction. Salesmen are sent to create a market. They place

American goods on merchants' shelves. At this point a moderate expenditure in consumer advertising might increase sales, and also aid in making the trade permanent. But we fail to make the little adjustments that would adapt our advertising principles to that field, because we fancy that South Americans are different from ourselves, and so lose opportunities that may never come again.

South America is different, but chiefly in its ways of doing business. Its differences are geographical, and due to spread of the countries, their population and industries, their latitude or altitude, their difficulties and credit.

But the South American is much like ourselves, humanly. He will respond to a basic advertising appeal. He admires our advertising skill, and the scarcity of good advertising on his continent makes a background against which our vigorous publicity stands out.

American concerns have not yet begun advertising on the Southern continent because their trade there is still regarded as a side issue. But growth will eventually drive them to it, if competition doesn't. Before the European war began, a Montevideo importer, visiting New York, was beset by export managers for popular automobiles, who wanted him to take the entire South American continent as selling representative. Three years later, one of these motor concerns was building its own assembling plants in South America. At the same period, one of our popular lines of toilet goods was distributed in Rio de Janeiro by a—hard-

ware importer! To-day, the turnover of that line in Brazil is worth, it is said, \$100,000 profit yearly.

We will never get anywhere in South America until we sit down and think out the advertising proposition along the lines that build business at home.

Outlets for goods come first. Advertising will not force distribution. There must be somebody, even if in but two or three major countries, or the big cities, who imports the goods and places them with retailers. American manufacturers have been advised to begin business in South America by such kindergarten methods as circularizing merchants from the United States, sending samples by parcel post, and the like. These methods sometimes succeed because the goods are ingenious, high-class and desirable. But they have lately been used by unscrupulous American "export agents," and are not in very good favor with South American business men. Outlets must be established as in the United States—by personal visits and intensive saleswork.

Then, on the basis of present sales, or the estimated business to be built up in a given country, an advertising appropriation can be made and a definite plan worked out, taking the suggestions of the importer about distribution and mediums. He may be willing to undertake a campaign on teamwork lines, supplementing the appropriation with his own money. He will probably be the best man to select mediums and place the advertising, or supplement goods in country districts with signs, window material and counter display.

Take the Latin American's advice in the things that are different unless your own representative can be sent to study the field. He will know how demand and distribution in Argentina differ from Brazil; why Uruguay and Paraguay are neighbors, but as far apart as the poles commercially; the difference in the Spanish of Chile and Peru; that Chile comes nearest having a real middle class, and that Peru and Bolivia are farthest from it, and among the poorest nations in purchasing power; the futility of trying to sell the Argentina gaucho imported goods which find a market in Buenos Aires, and the little known luxury demand far up in Tucumán, where French milliners and modistes journey to sell the latest Parisian fashions to women in official circles.

But when it comes to the advertising itself, be an American, and regard the South Americans as just—people. They will respond to the same appeals that influence people at home if a few adjustments are made for viewpoint. Because you are a Yankee, the South American expects a characteristic appeal and striking information.

At home, consumer advertising is keyed on such themes as pride in appearance, one's home and children, the community; appetite, comfort, service; increased earning power and the saving of labor, time and money. With a few exceptions and proper adjustments, these appeals are as effective on the Southern continent, and their very novelty there gives them force.

If our normal exports before the war are investigated

it will be found that we sold two general classes of goods. First, bulky stuff like steel, lumber, flour, oil, paints and so forth. Second, machinery, tools, office devices and things characteristically ours. In advertising the latter at home, we hit straight for the prospective purchaser's pocketbook in many cases, offering to save his labor, money, time, property. In Latin America, however, people have not yet begun to figure time or work as carefully as we do. When you have a costly form of transportation like a motor truck, time may be worth saving. But if you are hauling by ox cart, what is time to oxen or peóns? Offer to save time for the Latin American and he will ask "Yes, señor—but why?" Nor does he regard his property in terms of upkeep. Even in the saving of money he is a generation behind (or maybe it is ahead!) of people in older countries under industrial pressure.

To the Briton the Latin American looks for solid textiles, hardware and other staples, distinguished by trade-marks familiar for several generations. To the German he looked for cheapness, long credit, money advances against crops, and slick schemes for beating the customs house. But to the Yankee he looks for clever inventions, and printed explanation thereof, and when this field is viewed from all the angles of possibility it is the hardest for us, and first in advertising.

When the first computing scales were brought into Montevideo by a sanguine importer some years ago the conservative Uruguayan storekeeper was interested, yet skeptical. He could figure his little country's good decimal money in his head—as quick as that! Save



time—*pero por qué, señor?* But to-day computing scales are found far back in the country, because they have demonstrated their value.

Europe sold the South American automobiles before the war, taking his measure for special bodies gorgeous in brass fittings. The Yankee automobile man is taking his measure for good roads and motor trucks, so he can get his products to market more cheaply.

Europe filled his home with showy furniture and artistic clap-trap. The Yankee is demonstrating that home can be comfortable, with plumbing, heating, indirect lighting, electrical conveniences, sanitation. Even so obvious a thing as a fly-screen is more or less new to him. But he grows enthusiastic about comfort when he visits the United States, and is helping himself to it from the pages of our home-making magazines. These not only have a wide sale, but subscription agents offer them in combination. The Latin American learns English to read them, or gets ideas from the pictures.

Walking out into South American residential suburbs, one will pass rows of houses built in the massive Spanish style, with their inner gardens, or patios. Then, in between, there will be a frame bungalow exactly like our own suburb houses—alike to the smallest detail because it has been copied bodily out of some American home-building magazine, or erected from American ready-made plans, testimony to the growing popularity of our architecture on the Southern continent and the recognition of its adaptability to the temperate climates for which the Spanish house is unsuited.

There is a growing interest in our ready-made clothing, though it is handicapped by high tariffs. Some of our food specialties are beginning to attract attention, but they are handicapped by cost, and also conservatism in food that amounts almost to standardization. Labor saving devices in the home do not yet make a strong appeal because home routine is a matter for servants, and the idea of saving their time and strength is novel. But they can be introduced by teaching along the lines of comfort and health. Pride in personal appearance appeals strongly to the Latin American, and likewise pride in children and the family, one of his strongest affections. The desire for self-improvement through education and increased earning power is also strong.

Our advertising methods are an essential part of our production and distribution. Here is a factor that distinguishes us from European competitors, something that we do better than anybody else. To omit advertising in world markets is to hamper ourselves, and deprive customers abroad of something not merely essential to our products, but something that they admire and want.

"What does such a propaganda cost?" asked a Buenos Aires professor, referring to an American magazine campaign against venereal disease. "Two thousand dollars for this one announcement? Nearly five thousand pesos! And paid for, it says, by public-spirited men and women. That is true patriotism. Hasten the day when we Argentinos exhibit such enlightened love of country."

The mechanism of advertising in South America need not present difficulties.

Copy should be as characteristically American as possible. The text alone should be turned into idiomatic Spanish or Portuguese, with modifications in the illustrations to give South American atmosphere, and adjustments to South American conditions. After that, our striking typography and lay-outs should be retained, because they have great force against the drab background advertising as it is done on the Southern continent.

Latin American newspapers are solid masses of closely set advertising, much of it classified. Where we make advertising easy to read, the Latin American advertising man makes his readers work hard for a very small amount of actual business information. News is massed on the inner pages of the daily papers, while advertising is massed solidly on other pages. Usually the first page of a Latin American newspaper is solid advertising, and the happenings of the day must be sought inside the journal. To the credit of Latin American newspaper publishers, however, it may be said that they are now studying and adapting our methods of making news attractive and better writing, display and lay-out of advertising will follow.

Much of the American advertising copy published in South America is prepared in the United States, English announcements being translated by Spaniards, Portuguese or Latin Americans. This method is not entirely satisfactory. Our advertising gains force through its colloquialisms, and when these are turned

into Spanish or Portuguese equivalents they lose their tang. Each of the Southern countries has its own colloquialisms, and where copy is translated or adapted by people familiar with a given country and its idiom, it is often possible to secure the same striking effect.

One large American corporation with a branch in Buenos Aires follows the plan of submitting advertising in English, from the United States, to its whole office force, made up of both Americans and Argentinos. Each person makes a translation or adaptation into Spanish. Then a meeting is held, the translations are compared, good phrases from one version substituted for awkward translations in another, and a composite advertisement in the Argentino language worked out.

It is usually news to most Americans that Argentina has a language of its own, rich in local expressions. But it is true, and Brazil, Chile, Uruguay, Peru and the other South American countries likewise have their racy, local idioms.

As an illustration, our Middle Western phrase "I'll say so!" has been widely used in advertising the past few years. Such an advertisement was sent to a Buenos Aires agency for translation. Instantly the translator substituted an Argentino colloquialism—"Crea los!" That means "Believe us!" a phrase used daily by the Argentinos.

As an example of the blundering possible without intimate knowledge of idiom may be cited the advertisement in which a Spanish student in the United States tried to convey the idea that a certain business house

stood first in its line. "Primera" was the word he should have used but "primitiva" appeared in the copy—meaning that the concern was primitive!

Pictures seem to offer countless opportunity for blundering. Again and again the Argentinos, Chileans and Uruguayans are confronted with advertising illustrations made in the United States and supposed to be typically South American, showing men wearing broad Mexican sombreros, with palm trees in the background. Of course the sombrero is no more common in Buenos Aires or Santiago than in Boston, nor palm trees any more plentiful than in Chicago.

Far more effective are pictures and diagrams showing the way to use goods. A patent American lead pencil was introduced into Argentina by a Cuban with long experience in American business and advertising methods. He found that not one purchaser in ten knew how to fill or use this pencil, so he engaged a clever Buenos Aires artist, and had him draw three line sketches showing hands filling the pencil and writing with it, which not only overcame difficulties encountered by people who didn't understand the contrivance, but were silent demonstrations for selling the article to new customers.

In the absence of advertising agencies, arrangements can be made through importers or other representatives. Some of them are men who frequently visit the United States and give skillful team play in extending the advertising methods of American houses through their own territory. Our branch banks have commercial departments in charge of men familiar with South

American newspapers and other mediums, and are glad to advise and assist. Each important city has its newspapers representing different classes and parties. The tendency is really toward too many newspapers of small circulation, by our standards. The more influential a newspaper may be editorially, the smaller its circulation, because public opinion is formed chiefly by a little minority of intellectuals and politicians. Hardly a half dozen Latin American dailies exceed 100,000 circulation, and the average is probably nearer 25,000. Country circulation has not been developed. A train boy may supply all the copies sold along the line during a day's railroad journey, and for every newspaper he will sell two or three lottery tickets. Weekly and monthly magazines are popular. Trade and farm journals are not common. The general run of advertising is stereotyped, badly illustrated with pictures taken from American and European sources, non-informative, humorous or punning in its appeals, and running unchanged months at a time. On behalf of Latin American publishers, however, one must add that they are to-day studying our news, mechanical, advertising and circulation methods, and have begun to apply them under great difficulties of distance and expense. *La Nación* and *La Prensa*, the great Buenos Aires dailies, both have offices in New York City for advertising as well as editorial service.

Periodical advertising in South America reaches the upper classes, but the lower classes make up sixty to seventy per cent of the population.

Our advertising is overwhelmingly middle-class in

its appeal, and there is scarcely any middle class in the Latin American countries. Yet while lower-class purchasing power is limited, and illiteracy high, one finds imported goods on the shelves of retailers in country districts, and in the poorer sections of cities. Yankee tools for the mechanic and farm implements for the peon furnish a basis for technical explanation. This part of the population may be unable to read, but is still intelligent, receptive, skillful. Results can be secured through signs, window and counter display, explanatory pictures, and demonstrations. To cover the cities and neglect the great country and working class population of Latin America is to fail to invest in the future. For Latin America is entering upon great material developments. Its submerged population is becoming more active politically, demanding better economic conditions, earning power, education and comfort. It is rising into a middle class, and every step in that direction will add to the balance and well-being of the Latin American countries.

American business houses on the Southern continent frequently have difficulties with printing. Specialization in typographical display, engraving, color printing and other lines, familiar at home, are practically unknown. Paper and printing materials are expensive, type faces and composition are different from ours, and the general result is often disappointing. There is a growing demand for printed matter in English, but such work must usually be secured in shops where only Spanish or Portuguese is understood. In Rio de Janeiro, for example, a weekly magazine launched by the

American colony, was so distributed that two printing offices set up the news matter, another one the advertisements, engraving was done in three different plants, and two separate plants did the actual printing, after which the sheets were handed over to a binder for the final operation. Every new branch of an American house established on the Southern continent needs printed matter, and an industry like one of the large American packing houses requires several thousand dollars' worth of labels, wrappers, leaflets and pamphlets monthly. In the major cities there are probably opportunities for the establishment of new printing offices equipped to supply this new demand, turning out work under the supervision of Americans familiar with American methods and requirements.



## CHAPTER X

### DOING BUSINESS WITH SOUTH AMERICA

"But, Mr. Gonzales!" protested the American visitor, "I've been here half an hour, and you want to begin our business after dinner. They tell us at home that you South Americans begin to talk business only after a half dozen calls."

The speaker was an American business man, making his first tour of South American branches. Señor Gonzales, his representative in the first port, was a large importer. He spoke English perfectly.

"Why, that is the characteristic of you Yankees!" he replied, humorously. "Even after a half dozen visits you will not talk business. See this letter. It has taken two months to get it, an answer to specific inquiries. It is full of flowers. We Latins are supposed to be fond of flowers. But it does not give the business information I need. I know that I am esteemed and respected—but does their price mean F. O. B. factory, or F. O. B. steamship, or C. I. F.? I believe that they have the honor to be always my most respectful and obliging servants—but when can they make deliveries?"

Distance lends enchantment, and because he is so far off we have idealized the South American a little

too much for our own good. To be sure, he likes the flowers of speech and manners, and works to live where we often live to work. But there is more practicality and directness about him in business matters than we suppose, for he has to do business under handicaps little known in the United States.

There is the handicap of distance, which involves planning and purchasing months ahead, and careful credit arrangements. He does business with half a dozen foreign countries, in different currencies, and with different shipping arrangements. The currency of his own country fluctuates from day to day, so exchange enters into all his transactions, where we do business in the single stable dollar. All his goods must pass through a tedious customs routine, where ours are simply unloaded at the door of the factory or store.

He may not be disposed to talk business the first time you call upon him, but there is probably a good business reason. It is steamer day, and he is busy with mail. You may have dropped in around eleven in the morning, at home a convenient business hour, but in South America at that time people are just going to breakfast. He asks about your trip, and you ask about his health, and then an appointment is made.

Connections mean more to him than with us, as do friendships. The specialty salesman, introducing a single article through small orders, cannot work profitably in South America. Orders are large, salesmen represent broad lines, and to be taken care of intelligently by those you buy from is as important as prices and quality of goods. Having once given his confi-

dence to a house, he is slow to change, and a great deal of that confidence is to him embodied in its representative, who becomes his friend, and often fights for his interest against his own house.

He is conservative, sensitive, sentimental, but a thorough merchant, because constantly doing business with the whole world. His requirements in merchandise, packing, shipping and other details may be most exacting, and set forth in minute detail because experience has taught him what is best in his own country. At the same time, he is interested in new products and methods, and looks to Americans for such things.

In the United States we do business largely on open accounts, shipping the customer whatever he orders, with an invoice, and sending him a monthly statement, which he pays.

In South America, on the contrary, business is done in individual shipments, each accompanied by its invoice, bill of lading and draft. This is so much more complicated and difficult a method of doing business that every effort made to simplify it is appreciated by South Americans.

Solid and well-managed American mercantile houses had been doing business in South America long before the war, particularly in West Coast countries. The oldest concern of this sort dates back before the Civil War, and others have business experience extending over a generation. Steady gains in our trade demonstrated that they thoroughly understood the South Americans, and that in business methods and service they were quite as efficient as merchants of other nations. But

war brought abnormal conditions, hundreds of American manufacturers entering the South American export field for the first time, and hundreds of emergency export concerns springing into existence in the United States.

• We began our war business with them by demanding that they deposit cash in New York before we shipped goods. When we found that the South American paid his bills, we trusted him to the extent of collecting through drafts when the goods reached him. With still better acquaintance, that has grown to drafts dated for collection one to three months after he gets the goods. Finally, not a few American concerns are opening book accounts with their South American customers. This is appreciated because it gives flexibility in ordering. Where each shipment involves taking up financial documents, the South American customer may wait until he can mass his requirements in a substantial order. If he is rendering service to his customers on something like automobile repairs, they may have to wait for articles out of stock. But with the open account he can send orders as shortages loom up. With drafts accompanying each shipment, to be paid before he can get the bill of lading and secure the goods, there is often a loss on exchange amounting to a tidy profit. But with the open account he can choose time when exchange is favorable to buy a draft for payment.

To our credit, a few American concerns, at least, went straight to liberal terms without this long process of education. The outbreak of war in Europe brought depreciation in South American currencies of five per

cent and upwards. A New York piano manufacturer with numerous customers among South American music dealers, found the latter slow in paying bills. The depreciation of their own currencies practically absorbed their profits on his pianos. Instead of bringing pressure to bear upon them, he voluntarily extended their obligations, and told them not to worry. His money was tied up several months, until realization of the scarcity of merchandise made South America an eager purchaser. In only one case was there any loss, through a customer who was dishonest anyway, and would have been a bad credit risk in normal times. Every other customer paid within a few months, and appreciation of his fair dealing has made strong friends all over the Southern continent.

Almost the first thing the North American wants about the South American is credit information. This was once obtainable only with difficulty, but to-day can be secured easily enough.

It seldom occurs to the North American that South Americans need information about the concerns from which they contemplate purchasing. Yet it is so, and the burden of information is heaviest upon the seller. When the seller knows that the South American is financially responsible, and also, perhaps, that he is a capable representative, he is satisfied. But the South American wants to know whether the North American concern has facilities for properly packing and shipping export orders, whether it is prompt and sensible in adjusting damage claims and errors, whether it has a reputation for backing up its representatives in other

countries when consumer demand in the United States is insatiable. This sort of information is so important that American houses seeking business in South America will do well to supply it. One of our big banking organizations with branches abroad not only collects credit information about South American concerns, but investigates concerns here at home desirous of entering export trade, studying their facilities for selling abroad, making suggestions for improvement, and protecting South American buyers against incompetent would-be exporters.

Detailed shipping instructions accompany South American orders, and should be literally followed. Very often the requirements seem trivial. Why should a small order of goods be packed in two separate boxes when one will easily hold them all? Why should an obscure slow line of steamers be specified when there are large, fast ships to the same port? Why should advertising matter, enclosed with the goods, be carefully limited by weight? Why should a shipment be split up into packages not exceeding one hundred pounds in weight?

Viewed from South America, these are all reasonable requests. Several kinds of goods packed in one box may lead to the highest tariff rate on all, whereas some of them would be charged a lower rate if packed separately. The buyer may prefer the slow steamship line because it docks near his warehouse, saving cartage. Advertising matter may be limited to a pound or two because that amount enters his country free when packed with goods which it exploits, where excess

weight pays duty, as would the same quantity of advertising material sent separately. Packages not exceeding one hundred pounds means that goods are destined for transportation on the backs of horses, mules or even men, far up in mountain districts where railroads are lacking, as on the West Coast.

It has been said that, while the United States is a protective tariff country, it is also the greatest example of free trade in the world, because goods pass throughout the forty-eight states with no duties or formalities. For this reason, thousands of American manufacturers and merchants fail to realize what tariffs mean in South America, where there are ten different republics, each with its tariff complexities, and each differing from all the others. It takes a professional customs expert or "despechante," to keep posted on all the regulations, and pass goods through the formalities. Trivial oversights in packing, description, classification, valuation and the like will lead to fines and delays. A shipment of goods may pay not only tariff duty, but part of that duty would be demanded in gold and the balance in paper currency. Then there may be a surtax upon the duty, and if the goods are subject to internal revenue, there will be a further charge for stamps on each bottle of perfumery or tin of tooth paste. Oversights may impose a fine on top of that. It takes from two weeks to two months to pass goods through South American customs houses, and tariff laws are so complicated by special rulings that in some countries the latter are published daily.

There is a general belief in the United States that

we have excellent parcel post arrangements with South American countries. As a consequence, Americans blithely mail samples, catalogues and small orders of merchandise by parcel post. To be certain that all will go well, they sometimes address such shipments in care of one of our branch banks. Postal officials insist that service is steadily being improved, and the difficulties are obviously great. Yet much complaint and friction arise from efforts to inaugurate business through parcel post facilities, as well as in carrying it on, and such transactions go more smoothly when American concerns start with an understanding that parcel post business is complicated rather than simple, and pay detailed attention to technicalities.

Parcel post shipments have been encouraged by export advisers, as an illustration of the ease with which a beginning can be made in South American trade. But in practically every South American country parcel post is a nuisance rather than a convenience. All packages must pass through customs. This takes from a week to a month, because each package is opened, its contents inspected, and duty assessed, and the force of inspectors is small. To get a package, one must call personally at the post office or customs house, pay duty, go through red tape, and perhaps finally discover that his package has been plundered.

Picture the South American merchant receiving notice that there is a package waiting for him at the post office, taking two or three hours to obtain it, paying duty thereon, only to discover that it is a ten-cent sample of merchandise from somebody soliciting an order,



or a catalogue of goods he does not handle. If the catalogue is printed in more than one color he may have to pay fifty cents additional duty per pound weight.

In sending catalogues or samples to South American concerns it is best to deliver them duty paid. Many of the prospects one wishes to reach may be up country far from the customs house. Such material can be sent ready wrapped and addressed in bulk to one's representative at the chief port, with instructions to pay duty and remail. Our express companies also have facilities for handling samples and catalogues in bulk paying duty and mailing to addressees without customs charges or red tape. South Americans have become somewhat suspicious of samples from the United States because this long distance method of selling has been utilized by irresponsible concerns in the United States, and orders placed for goods on parcel post sample, accompanied by cash, have been filled with worthless "jobs" and "rejects."

The mailing of catalogues, circulars and letters from the United States under domestic postage is a constant irritation in South America, where the recipient must pay double the shortage. This has been emphasized repeatedly by Uncle Sam's world trade advisers—and Uncle Sam himself is one of the worst offenders. Thousands of bulletins and official announcements from Washington turn up in South America bearing no postage at all, but simply the frank of a government department. Business houses communicating regularly with South American customers let letters slip into the mail under domestic postage. The remedy is to put all

mail in charge of an intelligent clerk who will sift out, weigh, and correctly stamp everything going abroad. Another safety check is the use of different colored envelopes for foreign mail by every one corresponding with other countries. If five-cent stamped envelopes are employed much of this trouble can be avoided.

The "mañana" habit is a widely advertised trait of the South American. But there is much shiftlessness and procrastination in our own business, and our brisk hurry often masks small affairs. Real dispatch in business seems to go, not so much by speed, as by the condensation of great aggregates together. Thus, Kansas City works in bigger lots than Smithville, and, therefore, faster and Chicago works faster than Kansas City, New York faster than Chicago, and London faster than any of them. London makes one's head swim, very often, with its pointblank decision on some project involving millions half way round the world. And as the aggregates grow, the business way becomes shorter.

South America is far from world centers. Its business does not run into great aggregates. Transactions go largely by steamer days. There is time for the amenities. The South American is often careless about appointments. He promises to come to your hotel to-morrow and inspect samples because it pleases you. But to-morrow he may forget all about it. An amusing distinction is made in some cities. If the appointment is "English time" that means promptness in keeping it. Otherwise, an hour or so late may be considered of no importance.

Speculation in imported goods is very common in South American countries. Merchants sometimes lose sight of distribution in their effort to effect a temporary "corner" in an imported commodity, turning a speculative profit. We have our own speculations in merchandise at home, but they are spread out over whole seasons, in the shape of orders placed months ahead, in the belief that there will be a shortage or a surplus in given commodities. South America's speculations are based on distance from producing centers. The delay in the arrival of a ship with a certain commodity may cause prices to soar, and the unexpected arrival of a ship cause the corner to collapse like a soap bubble. Constructive distribution and the protection of both the consumer and the merchant imply stocks of one's goods in the countries where markets are being built, doing away with the basis for speculation.

Packing is still the cause of much complaint in shipments of our goods to South America. Fully ninety-five per cent of American shipments now arrive in good condition. The shipment that arrives undamaged is seldom heard of—people accept it as a matter of course, which it should be. The other five per cent is due to the amateur packer, who has no knowledge of ocean transportation or export conditions. Instead of fitting the shipment to Buenos Aires or Valparaiso with a new box, of stout boards, built just the right size, he probably takes an old packing case, half as large again as is needed, puts the goods into it, and fills the surplus space with trash. The case is not strong enough and will arrive broken nine times in ten. And because

duty is paid on weight, the consignee will be charged ten to twenty-five cents a pound on unnecessary packing material and boards.

Pilfering is very common in some of the South American countries. Boxes are deftly opened in transit and valuable goods stolen. These thefts seem to occur all along the line—some of them in the shipper's own packing room, others on the dock in New York, or while being carted to the docks, others on ships at sea, in the hold of the ship while being unloaded, on the lighter or docks in South America, and even in South American customs houses. Certain precautions can be taken. One is to "fiscalize" each export shipment in the shipper's packing room by checking and re-checking goods so that it is certain everything is packed in the box. Another is to use not merely strong new packing cases, but a type specially designed to be thief-resisting. A Chilean thief was induced to give a demonstration of his art. He offered to open a packing case with a guard leaning against it, provided nobody watched him. In three minutes he said, "Now you can look." The case was apparently intact. But he had removed a dozen boxes of valuable goods. His work was done silently with wedges, the first thin as a knife edge, the next a little larger, and so on, until a board had been lifted high enough to admit his hand. An American with long experience in South American shipments advises the use of double packing cases, the inner boards running straight, the outer boards diagonally. To get into this type of case it is necessary to remove all the diagonal boards from one side before an

inner board can be lifted. Another contrivance is to drive staples into every place where boards join, these staples being marked with the business concern's initial's, so that thieves will have no way of concealing tampering. If tampering can be quickly detected, thefts are decreased by checking goods as they pass from hand to hand.

Bad packing is not confined to crates and boxes, but may be found in goods spoiled for lack of a suitable individual container. For example, a popular effervescent remedy widely sold in the United States almost invariably reaches South America utterly spoiled, because it is put up in a wide mouthed bottle, with the cork dipped in paraffin. Passing through the tropics, dampness destroys the effervescent quality. Canned goods and other products packed in a poor quality of tinplate quickly show rust and spoilage—enamel or a heavy coating of tin is indispensable for tropical heat and the humidity of the ocean. At home, we have developed some remarkable packages—handy containers for holding and using things, boxes that turn into display racks on the merchant's counter, packages that carry fruit to markets one thousand to three thousand miles away. But our climate is dry, and our railroads carry things with minimum handling. Once goods are on the ocean they must withstand heat and humidity, and a trip from New York to Valparaiso may involve a half dozen or more handlings before the shipment reaches the consignee's warehouse: Into the ship at New York; out of the ship at Colon; into another ship for Chile; into a lighter at Valparaiso; onto the muelle; from the

muelle to the customs house, and thence to the purchaser's warehouse. If the shipment crosses the Isthmus by rail there will be additional handling.

Trade-marks give considerable trouble in South America, because the laws in most countries permit any one to register them without proving ownership. Usage does not establish ownership, as under our own laws. Unscrupulous persons register valuable foreign trade-marks as a speculation, in the hope of selling their rights to the real owner should he undertake to enter that market. This has sometimes been done to make money, and again to forestall competition. One of the first steps in planning for South American trade is to register one's trade-mark in the different countries, and to register company names and every possible variation thereof, so that no loopholes may be left. For example, the corporate title of the Economy Luminous Watch Company, registered alone, would leave opportunities for trade-mark thieves to use such variations as "Economical Watch" and "Illuminated Watch." Trade-mark registration should be delegated to experienced patent attorneys in the different countries, as they are familiar with local regulations, skillful and safeguarding against infringements, and capable of making the accurate translations into Spanish or Portuguese. The International Trade-Mark Convention is in effect for the ten countries in Central America and the West Indies, which maintain a trade-mark bureau in Havana. With ratification by Venezuela, it is expected that the ten South American countries will have a similar bureau in Rio de Janeiro.

By our standards, the South American is somewhat fastidious. From Spain and Portugal he has inherited the belief that manual work is degrading. If he happens to be a Spanish, Portuguese or Italian peasant, he will work his way into affluence, and his children look down upon manual work which with us would be taken as a matter of course, or even fun. If the South American owns a motor car, driving it himself is a distinct concession, and he will carry a chauffeur to do all the dirty chores. If he has a package, a flunky carries it for him. In countries still impregnated with the caste system he seems to be afraid of doing anything that may lower him socially. Sometimes he will enter trade, but even that is left to immigrants in certain countries. When the energetic American, just landed, comes in lugging his own samples, the effect is shocking. Our free and easy, self-reliant ways require a little modification, and after experience the Yankee hires a porter to carry his sample case, even though it be no larger than a cigar box.

However, this attitude is changing. An American engineer in charge of a South American contract hired a young South American engineering graduate as his assistant. When an American engineer goes into the field he is not afraid to handle pick and shovel, and carry loads. The South American engineer must have peons to carry his transit, his target, his lunch and water bottle—to him, engineering is purely intellectual. This American engineer led his assistant a hard life. Together they lugged instruments in the hot sun, climbed hills, wriggled through jungle. The South

American was puzzled at first. But he liked his chief, and when the philosophy of the thing became clear, stuck to him loyally. That experience taught him so much of real engineering that afterwards he secured a very fine position in the government of his country.

The metric system is in universal use throughout Latin America, although old Spanish, Portuguese and local terms are often used as a matter of habit. In Uruguay, as an instance, land is measured for sale by the metric system, with the hectare the unit. But Uruguayan country people still discuss land in terms of the Spanish "vara," so that it has become necessary to prohibit the use of the name. To comply with the law, measurements are often written "v——" in deeds. Pounds, tons, yards, gallons, bushels and similar measures puzzle the South American, especially when differences exist between those used in Great Britain and the United States. Concessions must be made, beginning with the marking of shipping cases with metric equivalents, and extending to quantities in selling goods, dimensions and descriptions in catalogues and correspondence, and so on. The metric system has great importance in the coming material development of South America, because railroads will be extended, equipment tend toward standardization, and the American manufacturer who prepares to work in metric dimensions will naturally have selling advantages over competitors who do not.

Latin American names often puzzle the visitor. With a letter of introduction addressed to "Señor Don Arturo



Cortés y Pizarro," an American might address the recipient as "Señor Pizarro," especially if the explanatory "y" were left out, as it very often is—it is Spanish for "and." But the real name is Cortés, Pizarro being his mother's name. Spaniards always call their great contemporary novelist "Blasco" instead of "Ibañez." Both Spanish and Portuguese families in South America use these double names. This is done partly for family reasons, the family being a great institution in Latin countries. But it is also useful for identification in countries where the leading families have grown large, and confusion would otherwise follow. There might be two dozen men named Arturo Cortés in a country where the name runs back to a pioneer ancestor, but when the mother's name is added, perhaps only one Arturo Cortés y Pizarro. Even the baptismal name has its dignified prefix of "Don" in Spanish ("Dom" in Portuguese), and "Señor" ("Senhor" in Portuguese) is used for the surname. Thus John Smith would be addressed as Señor Don John Smith, or Señor Smith, or Don John. An amusing illustration of the value attached to these terms came up after the organization of Montevideo's Rotary Club. Good fellowship and the Rotary spirit broke down many of the Latin formalities, and members were called by their first names, following Rotary custom in the United States. But the simple Tom, Dick and Harry familiar with us were invariably Don Tomás, Don Ricardito, Don Enrique, preserving the Latin courtesies. Personal dignity is a very real thing with the Latins.

The Yankee on the Southern continent finds himself without a national appellation. The South Americans insist, like the Canadians, that they are Americans too. To say that one comes from the United States makes matters clearer. For while there are the United States of Brazil and the United States of Mexico, citizens of those countries are Brazilians and Mexicans. There is really but one "Estados Unidos." The term "Yankee" (Yanki or Yanqui) is used to designate all Americans, irrespective of our application of the word to New Englanders alone. But it is not altogether complimentary, because "Yankee" has become a sort of political and journalistic bugaboo to frighten South Americans. In everyday dealings, the South American calls the Yankee an "American" knowing very well that, through long familiarity, the term means ourselves, and that he has fortunately his own national appellation as an Argentino, Chileno, Brasileiro, Peruano. But a curious little kink is, that he likes the Yankee to call himself, not "American" but to say, "I am a North American."

Many rules have been set down for the conduct of trade with South America. These are widely acceptable, and it pays to follow them. But there should also be a broad policy and spirit behind trade. This has been so well expressed by another writer that it may be quoted with two or three slight modifications in concluding this chapter:

## THIRTY DON'TS ABOUT LATIN AMERICAN TRADE.<sup>1</sup>

Don't think that all Latin American countries are alike—they differ as night from day.

Don't think that all the republics have a tropical climate—remember that latitude and altitude make a big difference.

Don't forget that Latin America produces all the products of the temperate zone.

Don't judge the possibilities of Latin America by the map—the population is not in proportion to area.

Don't classify Latin Americans as savages—great numbers of the people are highly civilized and cultured.

Don't judge buying power by size—some of the smaller republics are the largest buyers.

Don't enter Latin American markets blindly—you'll pay dearly for carelessness and lack of a definite policy.

Don't delude yourself into the belief that your foreign competitors are asleep—your experience will surprise you.

Don't think that "anything is good enough" for the Latin Americans—you'll find that idea very costly.

Don't neglect to learn the Latin American's viewpoint—always put yourself in his place.

Don't depend on one source of information only—there are many sources available.

<sup>1</sup> From "Trading with Latin America," by Ernest B. Filsinger, published by Irving National Bank, New York.

Don't fail to consult specialists in foreign trade matters—you'll find their advice valuable.

Don't stint yourself in tools—an investment in reliable guides and books on export is a wise one.

Don't hesitate to spend time and money for investigations—it will be an economy in the long run.

Don't think your export business will run itself—it needs a head and fixed responsibility.

Don't interfere unnecessarily with the routine of your export department—if you do, you may expect mistakes.

Don't engage a representative just because he can speak Spanish—it takes something besides that to sell goods.

Don't grant agencies without considering the extent of territory—it takes time to properly work territory.

Don't fail to be explicit—your customer doesn't want to guess.

Don't neglect to quote C. I. F., if possible—the Latin American appreciates such quotations.

Don't burden the dealer with involved discounts—make them simple and easily understood.

Don't expect a man to know your language when you don't know his—use Spanish or Portuguese.

Don't send a catalogue in English to a Spanish speaking country—consider how much you would like one in Russian.

Don't send your catalogues indiscriminately—make sure that every one gets into the right hands.

Don't overlook the training of export salesmen—your European competitors find it pays.

Don't fail to use the metric system—most Latin Americans prefer it to others.

Don't neglect details—you'll be judged by the way you attend to them.

Don't forget that promptness is necessary—fines may be incurred if documents are delayed.

Don't be afraid of politeness—the Latin American appreciates courtesy.

Don't expect miracles—it takes time to develop an export trade.

## CHAPTER XI

### WHY SOUTH AMERICA NEEDS CONTINENTAL METHODS

South America is a continent.

North America is a continent.

Europe is a continent—and it is not.

Much of South America's development thus far has been financed and directed by Europeans. Europe is a continent geographically, but otherwise just a group of separate nations comparable with our states. Each country has developed internally in matters like railroads. The long haul, the big freight car, the freight rate ingeniously adjusted to traffic, the refrigerator car, free freight movements between the different countries, and other characteristics of our own continental system of railroading—these are practically unknown. Many of Europe's railroads are military first of all, with differences of track gauge to embarrass enemies.

The result of applying European ideas in South America is quickly seen by the visiting Yankee. Continental Brazil has twenty thousand miles of railroad, nearly one third that in all South America, but it is largely a fringe of toy railroad along the seaboard. After a few well-built systems have been enumerated, the rest is narrow gauge, poorly located, with rolling stock of such small capacity that only the most valu-

able commodities can be hauled, like coffee, and those at high rates, and often unprofitably.

Argentina is smaller but also continental, being about the area of the United States east of the Mississippi. It runs north and south in latitude, with a wide range of soil and climates—cotton and sugar cane in the north, rich prairies in the center, cool sheep country in the south, deserts awaiting irrigation in the west, and minerals in the eastern slope of the Andes. Argentina's railroads have also been built on the European plan, and are run by railroaders accustomed to dense population in compact little countries where traffic is almost on a suburban basis. With the eight-ton "goods van" it is not possible to get our advantages in low freight rates on distance and tonnage.

Chile and Peru are the only other countries, besides Uruguay and Bolivia, with more than one thousand miles of railroad. Chile has the continental idea more clearly than any other South American country, largely because a 3,000 miles system up and down her long sliver of territory is needed for military protection. But her 5,000-odd miles of railroad have seven different gauges. Peru's railroad building thus far has been piecemeal effort, but her needs are all for new lines on the continental plan to open up her rich lands east of the Andes, and get their products cheaply to Pacific ports.

The need for the continental idea is even more apparent when one wipes out national boundaries and views South America as a whole. There is only a single railway running from the Atlantic to the Pacific,

connecting Buenos Aires with Valparaiso, and that has three different gauges and involves two changes of cars. A second line from Buenos Aires up through Bolivia to the Pacific ports of Arica, Chile, and Mollendo, Peru, with connections to Cuzco, and ultimately Lima, Peru, is being completed by the building of a single stretch of very difficult construction in the Bolivian Andes. But there are almost no railroads running beyond the boundaries of the different countries, because each has suspected its neighbors of aggression.

Our railroading for fifty years has been continental. We are the only nation, in fact, that has developed a continent with railroads, unless it be Canada, which is practically in the family anyway. Continental railroading goes further than the mere rails from ocean to ocean. It means hauling things about in fifty-ton cars, 1,000 to 3,000 miles, with special service like refrigeration, and terminals equipped with cold storage, grain elevators and automatic loading and unloading devices.

American railroading was as much a revelation to the French as American fighting during our participation in the war. We left large American freight cars and big American superheater locomotives there after the armistice. Both showed such economies in hauling that the old ten-ton French freight car is being replaced with box cars of thirty and forty-ton capacity. Our long trains, with frequent and adequate passing tracks at stations; our gravity tracks and other freight yard economies; our telegraph and telephone train dispatching systems; our railroad shop equipment for keeping rolling stock in service—these have created



an enthusiastic new school in French railroad design and operation.

We haul things about to such an extent that the freight bill of the American family exceeds one hundred dollars a year, an item that would shock the frugal Frenchman and careful Briton who have been building and operating railroads in South America.

Thirty-odd years ago the idea was conceived of shipping California oranges to our Atlantic seaboard markets. It was necessary to meet the competition of Florida, the West Indies, and even Mediterranean countries. A complete new technique had to be worked out—refrigerator cars, icing in transit, scientific methods of picking, grading and packing the fruit. To-day California's shipments of citrous fruits exceed one thousand cars weekly, with tens of thousands more cars carrying fresh peaches, apricots, plums, prunes, pears, apples, cantaloupes, asparagus, celery and other out-of-season soil products which have been brought within reach of almost every American family. Through pre-cooling, as tender a product as the red raspberry is shipped from the Pacific coast to Chicago.

With wonderful facilities for growing all these things, and others not suited to even California or Florida, South America has practically no trade at all in fresh fruits and vegetables. No export trade, no trade between different countries, and not even a healthy movement between provinces of the same country.

Argentina is a fair example. In the province of Mendoza, corresponding to California, it is possible to grow practically everything that state raises and ships, and

in the province of Tucumán the winter vegetables upon which Florida has based a great industry. But the transportation equipment and technique is lacking—no refrigerator cars, no trained packers, no icing facilities in transit, no fast schedule trains for perishables. As a consequence, fresh fruit and winter vegetables are usually beyond the means of the average family in Buenos Aires, and Argentina presents the paradox of being an importer of California's canned and dried fruit, and even of American apples which might be raised at home.

Argentina needs continental methods in expanding her grain exports—big grain cars backed by elevators to reduce the expense and waste of the present sack system. She needs big self-dumping cars to carry coal into the interior, and cement and road building material for highways across her plains, where even the stone and gravel must be hauled in for road building.

Brazil's railroads have been built largely on a system that guarantees the European investor a certain yearly interest upon his capital. At the same time, the amount of capital invested per kilometer has been limited. The result is seen in narrow gauge railroads, cheaply built, inadequate for real traffic, charging high freight rates and still earning insufficient revenue for interest charges, which must come out of the national treasury. Brazil has regarded her wonderful rivers a substitute for railroads in the north, but American experience demonstrates that river transportation cannot compete with railroads developed on the continental plan. When Brazilian resources are developed on this

plan, it is fairly certain that many of the products of the Amazon country, instead of going down that river, will be taken the other way by railroad, out the back door, to ports like Bahia, Rio de Janeiro, Santos and Porto Alegre.

Chile's position on the long Pacific coastal shelf, with 3,000 miles of ocean on one side and the barrier of the Andes on the other, might seem to shut her off from continental transportation, except for her own spinal column railroad system which stretches nearly from New York to San Francisco. But she has opportunities to carry freight and passengers for her neighbors, enabling them to use her many ports, as well as the Panama Canal. On the south she can serve western Argentina, and on the north Bolivia and even western Brazil. Chile is very much alive to these possibilities. She is scrapping lightweight German locomotives, and replacing them with American locomotives and rolling stock, and ultimately hopes to divert products of Argentina, Bolivia and Brazil over the Andes by quoting attractive freight rates based on the economies effected by big cars, long trains and heavy locomotives.

So, in the new era of expansion now beginning in South America, there are opportunities for the American railroader, transportation engineer, manufacturer of locomotives, rolling stock and equipment, as well as for the banker and investor. South America needs not merely more railroads to develop her resources, but a new philosophy of transportation, and that philosophy is ours, growing out of experience in developing a continent of our own.

We have not always been supremely wise in financing and building our own railroads, of course. Witness the wanton days of our Wall Street railroad wreckers. We have not been altogether wise in our own generation—as is seen in the regulation and starvation of our railroads and their present inadequacy for the traffic of the nation. Therefore, criticism of South American railroad development implies reservations.

One thing we may point to with satisfaction—the ability of our railroaders and the efficiency of their big-scale methods. Most of our trouble has come, not from them, but from the crooked financiers and looters.

In South America, on the contrary, while some official graft may have accompanied railroad building, the looter has not been a factor. Much of the trouble has arisen from the South Americans' lack of training and experience in technical matters.

This is a shortcoming which will be remedied during the next ten or twenty years, by sending the young men of the Southern republics to the technical schools of the United States and England. But it is still a characteristic to be taken into account in doing business with the South Americans.

In Latin America nothing strikes the Yankee so quickly as this general lack of mechanical sense. There is an old engineering saying: "When you sell a machine to the Latin American, in three months one of two things has happened—the Latin American has broken the machine, or the machine has killed the Latin American."

If one of our machines breaks down we fix it or send

for the repair man. But the Latin American decorates it with a sign, "No Funciona," and goes away and leaves it. All over the Southern continent one sees this sign. "No Funciona" is a far better alibi than "mañana." A further touch of artlessness is added when the sign on a broken-down lift reads "Malo," which means "bad."

Even when machinery runs, it is usually on three legs. Automobiles thump and wheeze, their wheels wobble, and they just barely get over moderate hills, though they may be high-powered American cars capable of "eating up mountains." Typewriters and adding machines soon become so temperamental that they can be operated only by the person who has seen all their idiosyncrasies develop. From railroad locomotives right down to push buttons and locks, mechanical apparatus goes crazy in Latin America, and people humor it patiently in the belief that it is incurable.

Many Americans jump to the conclusion that the people of the Southern continent are naturally non-mechanical—that it is useless to expect them to understand machinery. But that is a mistake. The Latin American is decidedly clever at the handicrafts he follows, doing superior work in wood, brick, stone, plaster, leather and other materials. He happens to be non-mechanical to-day largely because he has enjoyed few contacts with machine civilization. He makes an apt pupil, and to-morrow, with better opportunities, may easily set us a pace.

In selling to Latin America we have, in this matter, both an opportunity and a duty. Too often we have

sent the salesman where the demonstrator and the service man were really needed.

American elevators were installed in a new hotel on the Southern continent. Then the building stood idle five years waiting for a lessee. When it was finally opened the elevators were out of commission half the time, and the "No Funciona" sign became almost part of the equipment. The management could not see why machinery should deteriorate when it wasn't being used at all. Those elevators were sold through a big importing house which is the only representative of the American manufacturers in that country, and representation has never extended to the manufacturers' mechanical department. Along with our elevators Latin America ought to have our upkeep and mechanical training, of course, and it needs our elevator insurance and inspection, something that seems to be entirely unknown.

Automobile tires are another illustration. Practically all of them have come from the United States since the war. Nothing gives better value for intelligent upkeep than an automobile tire. But not one tire in twenty throughout Latin America is given the simple upkeep of proper inflation. Forty to fifty pounds pressure is common on big tires that need eighty, and mileage is burnt up uselessly. Our tire manufacturers have established their own sales branches in many places, but there is a job of education as well as selling ahead of them. If they will understand that Latin America needs teaching, and is also teachable, mileage and service can undoubtedly be made the basis for

holding much of the tire business that we came into so suddenly when European products were cut off.

Latin America is not only teachable in mechanical matters, but has a new determination to learn. Everywhere one finds the desire for industries, and the substitution of machinery and large scale production for the primitive agriculture of the Southern countries. To-day the lusty peasant and Indian whack the soil with ponderous hoes and cultivate crops with the machete. To-morrow they will be using tractors and gang plows. Shortage of labor and area of country make modern methods necessary, for Latin American conditions are much like our own.))

Intent mostly on selling, and often through agents who are chiefly traders, our farm implement manufacturers have failed to study agricultural conditions in the different countries, and adapt equipment to their special requirements.

In Peru, for example, cotton is not planted each season, as with us, but left standing in the fields, bearing for six or seven years. The rows are widely spaced—1.3 meters, or more than four feet. The cotton belt now under cultivation is all irrigated land. It needs vigorous cultivation because the surface hardens. No cultivator designed to work two rows at once, with either horses or tractor, and high enough to clear the plants, has yet been placed on the market. American manufacturers simply offer the Peruvian planter implements designed for our own farming conditions.

Many other American products require similar adap-

tation to Latin American conditions, and a certain amount of "foolproofing."

We build apparatus for speed, operate it with constant upkeep, and send it to the scrap-heap when something faster or cheaper is invented. Spare parts and repair men are just around the corner.

Europe has had a different philosophy—to make apparatus extremely durable, and run it until it wears out, which may be years hence. An old machine, like an old employee, will be retained in a European plant, and valued for its years of faithful service.

Now, in a Latin American country, where good repair men are not plentiful, and spare parts are from six weeks to six months away, the sturdy apparatus is usually best. The British learned this long ago, and built exceptional strength and ruggedness into their export apparatus, where we specialize in ingenuity and adaptability. So their stuff stands up under work, and even abuse, and many Americans abroad often prefer it to our own.

A practical method of teaching, available to many American concerns whose goods have secured a wide distribution in Latin America during the war, is through the printed word.

It is interesting to inspect our merchandise and apparatus on the Southern continent, and see what literature the manufacturers have sent out with it, and what they have to say for themselves. Many products are now specially packed, with Spanish or Portuguese labels, circulars, directions, supplementary information about other articles. Others send out the standard pack



distributed at home, with abundant talk about the quality in—pure American! Some manufacturers have visualized the possibilities to the extent of fitting apparatus with name and direction plate in the other fellow's language, but all through the Southern countries one sees directions to "Pull," "Turn," "Oil here," and the like, and on British apparatus as well as our own.

When things refuse to function in Latin America it is for lack of mechanical knowledge rather than any lack of intelligence or interest in mechanical things. The Latin American cousin, more and more, is dropping poetry to take up engineering, and turning from Europe to us for practical things. So we have a job of teaching as well as selling.

## CHAPTER XII

### THE OTHER FELLOW—OUR COMPETITOR

A big battleship dropped anchor in a South American harbor. It belonged to a European nation with trade and investments in that country, and had been sent on a tour of the continent to create friendship and goodwill. Largely for commercial purposes, this being the diplomatic conception of an advertising campaign.

There was a week of receptions, dinners and entertainments abroad and on shore. During that week rumors flew fast around the American colony, the British colony and other commercial suburbs of industrial nations planted in that capital.

"Did you hear?" whispered a vice-consul's wife. "The Captain of the battleship called on the Minister of Foreign Affairs, but not the Third Assistant Dog-Catcher General."

"Worse than that," whispered a Military Attaché, "the Jefe de Bomberos did not attend the reception on board the other night because his sister-in-law was not invited."

"Now they will lose trade in this country," solemnly predicts an embassy assistant. "These people are so sensitive, you know. Isn't it awful!"

Yes—terrible, if trade were done that way!

Observe that all these good people, shivering delightedly at the prospect of a rival nation losing trade, or afraid that battleship advertising may bring results, are not in trade themselves, but honest government workers, living in a queer little world of formality and rumor. The people who sell goods in that country, and those who buy goods, are pretty much left out of the receptions and dinners.

The idea that trade follows the flag is mischievous and illusory.

A business transaction in the United States may involve a Yankee, a Scotchman, a Jew, an Irishman, an Englishman and a German. Nobody thinks for a moment of nationalities. Individuality is what counts, and ability, and honesty, and the price and quality of the goods, the reputation of a business house, the service it gives.

But transfer the same deal to Rio de Janeiro, and people begin thinking of nationalities, watching it on that basis from start to finish, putting it into statistics as so much British trade, or American exports, or whatnot.

Despite the statistics, however, business is done abroad on pretty much the same lines of individuality, ability, service. Gonzales may use nationality when he drives a bargain in Lima, pitting the Briton against the Yankee, the German against the Italian. But when he gives his orders he is guided by the ability of the seller to deliver, the credit terms, the prevailing rate of exchange. The order may go to New York because British goods are unobtainable. Or it may go

to Manchester because the pound sterling is down and the dollar rising. Gonzales may be a Peruvian, a Spaniard, an Italian, a German. Far from swinging the order to his own nation, he will be suspicious of appeals made to him on a basis of loyalty to his own country. "Those fellows are trying to stick me," he reasons. "If they want the business, let them work for it like the British and the Yankees."

During the war American manufacturers occupied a unique position in South America—a position without precedent. Goods from Europe were obtainable in very small quantities, if at all. We were swamped with orders from South Americans, who would take anything at all, and be glad to get it, and cable cash to New York to pay for merchandise. Mushroom export houses sprang up in the United States. Volume grew so large that American manufacturers sent salesmen to the Southern continent and opened branches. A year passed, two years, three years, and still the demand was overwhelming. Yankee goods monopolized the wholesaler's warehouse and the retailer's shelves all over Latin America. Prices were high, profits big. The conservative British railway manager, operating South American railways built with British capital, who had always bought equipment at home, was glad to get rationed allotments from the United States. The German importer who had stuck to goods from the Fatherland, before the war, camouflaged himself as a Dutchman or a Swiss and took care of his trade with Yankee goods.

Given such a situation, naturally Americans dug

themselves into the trade, and, like the popular beauty at the ball, forgot all about rivalry and competition. When the armistice came, and the prospect of South America resuming trade with England, the Continent, and even Germany, they resented any suggestion that competitors would "come back." To point out the solidity of British, Continental or German trade connections in South America, or to suggest that from fifty to seventy-five per cent of our abnormal war trade might be lost when the world became normal was to bring down upon one's head the abuse of Americans who had profited by the abnormal conditions.

But facts are facts, and facts began to govern conditions during the first year after the armistice.

The German importer in Argentina sold Yankee goods during the war to keep his business going. On the very day the peace terms were signed German salesmen visited him with samples—1914 samples, to be sure, but they also quoted 1914 prices. For several weeks the importer withheld new orders from Yankee salesmen. Then he doubted the ability of German houses to fill orders, and, acting on the facts, bought more goods in the United States. Had British or French goods alone been obtainable he would have bought them, for patriotism is one thing, and bread and butter another.

The war peg was pulled out from beneath the British pound. Down it went to 4.50—4.20—4.00—3.50. The Yankee dollar rose correspondingly. "Hurray—our dollar is the best money in the world!" exulted Wall Street and Washington. But presently it is

found that merchants in world markets buy goods, not with the best money in the world, but the cheapest money they can get, other factors being fairly equal. Simply on exchange, South American orders go to England and the Continent instead of the United States. Facts—not foreseen by the Yankee, who insists that the trade belongs to us because we “took care of it” during the war.

World trade being viewed through the spectacles of nationality, there is always a good deal of feeling and prejudice on the subject. But neither feeling nor prejudice alters the facts. If some detached person like a journalist or a trade investigator comes along and states the facts, the self-interested salesman and branch manager may become very angry, yet the facts remain.

The nation which led in sales to South America before the war, and whose trade was largely taken over by ourselves, was Great Britain. In the readjustment following peace, the Yankee naturally regarded John Bull as his chief competitor, while the Britisher, feeling that he had been supplanted, was most apprehensive about Yankee competition. As a matter of abstract friendship between the two nations, Americans would surely like to see John Bull regain his markets in South America. Indeed, from a broad business standpoint, to regain his markets means better business for us in British ability to buy our products and pay back the money we have loaned. But in the heat of competitive selling, right on the ground in South America, with salesmen and banks pitted against each other, feeling takes lines of nationality, and becomes

bitter. Hard words are bandied about in the form of propaganda.

British strength in South American markets is not a matter of nationality or sentiment. It rests upon reputation, connections, investments and being Johnny-Bull-on-the-spot. One of the great advantages to British trade throughout the world is the large colonies of British merchants actually living in foreign countries, many of them being of the third and fourth generation.

John Bull got into South American trade as soon as Spain's blind monopoly was broken by San Martín and his Argentino patriots. There was some thought of seizing Spain's colonies during the Independence struggle, and a British military expedition attempted it in Argentina and Uruguay, but was defeated.<sup>1</sup> The British then gave up their ideas of military conquest, and helped the South Americans gain their independence. Individual Britons fought in Argentina, Chile and Peru, where British names are common, a cherished legacy from patriot fathers who married into the countries for which they fought. Bolívar had a distinct British legion in his army.

The British trader followed closely on the British freelance warrior. It was part of British policy dur-

<sup>1</sup> Better than any other book in English, "The Purple Land" by W. H. Hudson, gives the *gaucho* flavor of the pampas. The original title of this narrative was "The Purple Land That England Lost," and in a preface to a new edition, when its merit was recognized after years of oblivion, the author shows how both Uruguay and Argentina might have been British colonies with a little more determination on the part of British generals sent to capture them a hundred-odd years ago.

ing the Napoleonic wars to establish South American trade. As the various countries became tranquil politically, British money was invested in their development. With British investments went British management of railroads, public utilities, ports and like improvements, and British loans to the South American governments brought orders for British equipment and materials.

John Bull has often worked like a lion for South American countries, providing them with markets in ingenious ways. As an example, back in the seventies English factories began to turn Uruguayan cattle into beef extract. Uruguay was then torn by revolutions. It is possible to show a definite decrease in the little Republic's political disturbances as the beef extract industry grew, providing a market for cattle instead of hides alone. American packers are now helping Paraguay into prosperity along the same lines, utilizing its cattle for canned corned beef.

John Bull has reputation and acquaintance in South America. He has a strong banking organization, and the advantage of London as the world's financial, trading and shipping center.

The first British salesmen who reached Peru, more than a year after the armistice, came over from the East Coast after selling all the goods that could be allotted to South America. They came to renew friendships. Their reception was almost emotional. Peruvian merchants entertained them in their homes, called at their hotel to see samples, and pleaded for the privilege of placing orders, no matter how small



the quantities obtainable, nor how distant the delivery.

To underestimate John Bull's business skill, and assume that he is "done for," is simply to fool one's self. In world trade he is an older hand than ourselves, and backed by better organization.

An excellent illustration of this was the action of the London banks during the first year and a half of peace. It was necessary for somebody to finance Europe, on the verge of bankruptcy and starvation. Our statesmen and bankers talked a good deal about that necessity, but did very little. The London banks made the pound sterling a medium through which Continental countries could purchase materials and food from the United States, temporarily forestalling complete demoralization in their own currencies. The pound sterling dropped to two thirds of its normal value, but that diverted orders for goods in markets like South America from New York to London, so there was a benefit as well as a loss. When the Continental countries had had time to adjust their finances, London shifted the burden, and the pound sterling began to rise in value. Skillful international management of this sort indicates John Bull's ability to hold his own, and mere competitive feeling does not enter into the equation at all.

John Bull has an advantage in the great London market for bills of exchange by which world trade is financed. While the British government was paying five per cent for loans during the war, British export trade was financed by London bankers at three and a half per cent. Our Federal Reserve banking system

was devised for this same purpose, to create a market for bills of exchange, furnishing capital for business abroad as well as at home. But Federal Reserve management has been criticized on the score of neglect of our trade abroad. While the British pound was at its lowest level during 1919-1920, London bankers with an eye on to-morrow maintained the lowest possible interest rates on commercial paper covering British exports, whereas American foreign trade acceptances, covered by Federal Reserve interest rates, were charged several per cent higher. This imposed handicaps on the smaller American manufacturers and exporters who had built up business abroad during the war. They were unable to compete with London terms. They could not finance foreign customers themselves. The general result was to check sales abroad by such concerns, and favor big American corporations with ample financial resources. Likewise, most of the capital available for trade acceptances was concentrated upon imports at the expense of exports, because eager sellers of raw material in other countries were willing to pay the Federal Reserve interest rate.

Another indication of British strength is the fact that something like 15,000 British volunteers went from that continent to the Western Front, 7,000 of them from the River Plata region, chiefly Buenos Aires, which latter contingent probably outnumbered all the Americans on the Southern continent.

War brought John Bull certain business advantages. It pulled the British Empire together, and came nearer "selling" it to the British themselves than anything

that has happened to them for generations. Before the war, the Australian and Canadian arriving in London, their hearts filled with sentiment for the Motherland, found that home-staying Britons did not distinguish between Australians, Anglo-Indians, Canadians, or South Africans. They were all "Colonials, you know, part of the Empire—but not exactly like us!" The Yankee was better understood, because better advertised. War abundantly advertised the British colonies, and if John Bull ever views them as undeveloped markets, his colonial demand may rival our own consuming demand in purchasing power. For lack of such a viewpoint, one finds the paradox of American automobiles monopolizing the market in British colonies like the West Indies, where British cars are few, and their owners must run them without repair parts or service.

To the Yankee in South America certain things happen which may be interpreted as British prejudice against ourselves. Sometimes it is discrimination in rates over British cables to New York as against London. A determined effort was made to prevent the extension of American cable to Brazil, where the British long had a monopoly. British steamships, banks and distributors discriminate by the very practical method of charging Yankees all the traffic will bear. But such practices should not be attributed to national feeling. They are the shortsighted actions of corporations and individuals, taking advantage of monopolies, and demonstrate the wisdom of acquiring facilities of our own.

John Bull's philosophy of business differs from ours. He regards business more or less as a fixed volume. He works for a snug little monopoly, cherishes his business secrets, has his depressions and fears. He complains about the bad state of trade, and demonstrates that it is impossible to make money in his line, and all the time is probably making plenty of money in the side issues of that unfortunate line. While he is getting rich, he will make you think he is going broke.

Our philosophy regards business as something to be expanded indefinitely by creative work. As soon as a monopoly is effected we start an independent effort. Our business secrets are pooled. If we make money this year the figures are published, and we set out to beat them next year.

Our philosophy applied to British business would make it grow in England itself, much less the Empire and foreign markets. The British trait of dogged persistence, on the other hand, would stiffen policy in many an American world trade enterprise. If the two nations can learn from each other, and supplant rivalry with teamwork during the coming period of South American expansion, the new business created by each should make the old aggregates for both look insignificant.

South American trade is not fixed in volume, nor divided on lines of nationality. Yet each nation has a fixed volume of it which cannot be taken away by competitors. This volume comprises the sales of products characteristic of each country. It is not likely that

British manufacturers will ever compete in American devices like typewriters, while no American woolen mill cares to turn from production of suitings for our enormous cutting-up industry to supply custom tailors in other countries with the small lots of many patterns which they get from England. Leeds and Batley supply many custom tailors in the United States, just as New England supplies typewriters to old England.

"Growth" is the word in South America, not "rivalry" or "nationality." An era of expansion is beginning. The new business will be the important thing—not the business one can *take*, but what he can *make*.

Germany was third in South American business at the beginning of the war, and it is inconceivable that she should not ultimately "come back" there. She had an ideal system of marketing, with personal contacts, service and liberal credits at the Latin American customer's end, and an organization at home that made whatever the customer wanted, no matter how peculiar, or how trifling the quantity, and shipped it so that freight, customs duty and other expenses were ingeniously kept down to the minimum. She had shortcomings. Little German capital was invested in Latin America. Bribery and dishonesty were used to advantage in holding business—the bribery of customs officials and the use of false invoices, for instance. And as we know now, her trade was subordinate to imperialistic schemes.

But the German selling and banking organization is still strong in Latin America. Germany's need for export trade is more desperate than that of any other

country. The German is facing the facts, handling other nations' goods without prejudice to keep his trade machinery intact until German goods are available again, and working harder than ever. He has his characteristic national products, as the British and American have theirs, and in those lines will, to use a British saying, "take a bit of beating."

France was fourth in Latin American business, but less a competitor of the Briton, Yankee or German than any of these three individually with the others. Latin America loves France with all its soul, and it was the invasion of France that swung its masses to the side of the Allies early in the war, despite strong German propaganda and influence upon Latin American governments. France sells chiefly the artistic and the unique things. The Latin American furnishes his home with French furniture, tapestries, paintings, sculpture, bric-à-brac. He dresses his wife and daughters in French gowns and hats, and adorns them with French jewel work. He sends his son to France for schooling. He reads French literature, and speaks French as his other language.

Spain and Italy come next, and while their sales to Latin America are not large compared with those of Great Britain or the United States, Spanish and Italian influence are strong in some of the South American markets. Many of the importers and retailers of Argentina, Brazil and Uruguay are of those nationalities, and success in marketing demands that one understand them and be "simpatico."

Portugal is strong in Brazil in the same way. She

does not sell any great volume of goods to her emancipated colony, and the Brazilian's feeling against Portugal and the Portuguese is often strong. But much of the Brazilian distributing and retail trade is in the hands of thrifty, clannish Portuguese, and success in that market implies understanding and sympathy, too.

Among the "other fellows" are the Belgians, Hollanders and Swiss, each with a small volume of trade, yet each having its own banks to take care of that trade, and, except in the case of Switzerland, its own ships. The writer will not soon forget his first impression of Argentina when, arriving on a slow British passenger ship, crowded with Americans, and docking at Buenos Aires, he saw a magnificent fast liner under the Dutch flag in all the bustle of departure, with flags flying, a band playing and well-to-do Argentinos embarking with their families.

Japan made a determined effort to gain a trade foothold in South America during the war, and is regarded by some persons as a "menace." She is colonizing laborers in Brazil and other countries, and the Jap has become a retail merchant in Peru. Steamship service between Japan and South America has been maintained for years, but is infrequent, and handicapped by lack of passenger travel, as well as the non-bulky character of Japanese merchandise. To reach South American markets at all, it is necessary to load shipments for Europe as well, making the circuit of South America, then going to European countries and returning to Japan by the Panama Canal. Silk, rice, cotton goods, and hardware are sold by Japanese, along

with the familiar toys, bric-à-brac and knickknacks of Nippon. There seems to be a distinct prejudice against the Japanese as immigrants, and also dissatisfaction with their more shoddy and imitative products. But under great handicaps they are working courageously and persistently to establish themselves in South American markets.



## CHAPTER XIII

### WHAT DO SOUTH AMERICANS THINK ABOUT YANKEES?

El Paso, Texas.—According to the newspaper *Adelante*, published in the City of Mexico, the Mexican Foreign Office has obtained complete plans drawn up in the United States for the conquest of Mexico after the coming American presidential election.

New York.—Señor Naranjo de Oro, a South American poet, now in this country, calls attention to a new book by the brilliant Latin American novelist, Cabeza de Chiquito, in which he declares that a barbaric invasion of Yankees has already engulfed Central America and the West Indies. The book is said to be widely circulated in South America.

Rio de Janeiro.—The eminent Brazilian *feuilletoniste*, Caboclo de Corumbá, who has recently published articles here strongly antagonistic to the United States, asserts in a new article published this morning that the United States is the Prussia of to-morrow, which Latin America must combine to fight.

The reader has probably seen items of this sort in our daily papers from time to time, and wondered how Latin Americans can believe such piffle. The thought that it is "widely circulated in South America," may have made him a little uneasy.

However, for reassurance, it may be said that such views are not widely circulated, and that far from believing them, intelligent South Americans know that

they are largely political in motive. The "Yankee peril" is a handy little stage property of the Latin American demagogue and yellow journalist, just as it is with our nearer neighbor Canada. Sometimes it lands a candidate or even a party in office. But South Americans in general no more believe it than the Canadians, being too sophisticated in world affairs because their own newspapers publish world news in the greatest detail.

The worst aspect is, that it indicates a lack of knowledge about ourselves in South America. That in turn is due partly to our own superficial knowledge of the real people, issues and things on the Southern continent.

If you had a pretty sweetheart, and also a rival, and your rival talked to her every day about what sort of fellow he wanted her to think you were, and you never got a chance to say anything for yourself—where would you stand?

South America is the pretty girl, Europe has been the rival, and the United States has been the silent, injured party.

All the important South American countries have good newspapers. They pay a great deal of attention to world affairs, receiving daily cable dispatches from almost every country on the globe. Cable news is supplemented by frequent articles from their special correspondents in other countries. The South American is proud of his cosmopolitanism. Descent from Spain, Portugal or Italy gives him an interest in those countries, his education and reading an interest in

France, his business affairs an interest in England. Hence great newspapers like *La Nación* and *La Prensa* in Buenos Aires, and *O Paiz*, *Jornal do Brasil* and *Estados de São Paulo*, in Brazil, will publish a dozen columns of closely condensed foreign news daily from several different news associations and services. Measured by their smaller circulation and heavier expenses, that is equivalent to half a dozen pages of foreign news in one of our big city dailies.

But for years the bulk of South America's foreign news had been coming from Europe, including nearly all news about the United States. We had no news service to the Southern countries. The Briton, German, Frenchman, Italian, Spaniard, Portuguese and others have business interests to protect. Very often politics complicate their interests. Supplying most of South America's cable news, they might give it an appropriate color, if not through self-interest, then through temperament. When there were selfish motives, they could say nice things about themselves, damaging things about their rivals, and awful things about us. But deliberate propaganda was not as harmful as their selections from our news for transmission to South American journals. For the European journalist, knowing little or nothing about the United States, is partial to our "yellow" news. Murder trials, political scandals, divorces, lynchings, millionaires, monkey dinners—these have always been the most interesting things about Yankeeland. Fed upon them via Europe, with little of the real news from our country, the South American has come to regard the United

States as a land of crooked politicians and rich bounders, where wives are swapped over night, white men hunt black men through the streets for sport, and the Monroe Doctrine will get you if you don't watch out. Little wonder he exclaims, "*Caramba*, what a country!"

When we entered the war, it became highly important to have South American sympathy. Investigation of the state of public opinion even in a country so friendly toward us as Brazil demonstrated that the Southern republics knew little about us that was true. In countries like Chile, with strong German influences at work, and old grievances left over from diplomatic incidents of the past, the situation was more serious.

Uncle Sam set out to put himself right with the South American countries by telling them something about his war program and preparations. Uncolored news dispatches were cabled to South American journals without charge, and offices opened in the principal countries for the distribution of bulletins, posters, moving pictures and like mediums of information. Then it was discovered that South America was really hungry for constructive news about the United States, and two big American news agencies established South American offices and service—the Associated Press and the United Press.

To-day, real news from the United States is printed on the front pages of leading journals in Rio de Janeiro, São Paulo, Buenos Aires, Montevideo, Santiago, Lima. South Americans show the keenest interest in our politics and foreign policies. They like our

crisp style of reporting, which is in contrast to the solid prosiness of the European journalist. They like the headline possibilities of American news, and are learning to break up their classification of cable news by countries, a characteristic which makes South American newspapers unattractive and hard to read. American news service has quickly become popular with South American readers, who are learning the truth about us, and want more of it. Publishers pay for our news service, though there is the competition of subsidized European news, and are impressed by its impartiality. They have learned that anything unfavorable to the United States will be reported as faithfully by our news associations as something favorable. It has been a little hard for them to realize that such institutions as the Associated Press and the United Press can exist without government subsidies.

Another valuable medium of information about ourselves is the moving picture, from which South Americans are learning much about Yankees as people, and about American life. To be sure, the movies are sensational, with their gunmen and crooks, their romance and action. But their characters and settings are often more American than we suspect ourselves, and along with the quick thrills the South American gets ideas about everyday Americans in their everyday life. Our movie fans watch the pictures for discrepancies—the heroine leaving the room in tan shoes, and emerging a moment later wearing white slippers. But South American fans watch the heroine telephone to the police, the villain cash the stolen check, the

beautiful plumbing in the vampire's bathroom, the ingénue's frank comradeship with men. Our clothes, houses, furniture, decorations and comforts are being studied in the movies, and they are being copied. And here is a channel of information in which we have practically no competitors. Italian and French pictures are occasionally shown in South American theaters, and the British are making earnest efforts to establish a moving picture industry. But we have a long lead. Our movies are preferred for their action, and our own enormous home demand makes it possible to invest large sums in producing pictures, and export a surplus to other countries as a side issue after production costs have been covered by home demand.

Information distributed through such channels makes it more difficult to persuade South Americans that we are dollar chasers, grabbers of territory, and have horns and hoofs. It is forming sound public opinion, and creating good will.

The demagogue and yellow journalist still arise from time to time and point with alarm to the "Yankee peril." But the real South American people are becoming far less credulous in such matters than we ourselves about Oriental and other "perils."

One of the most malicious attacks of this sort will still be remembered—that of a talented Brazilian journalist who systematically vilified the United States in a series of articles published in Rio de Janeiro newspapers. Brazilians in the United States and at home went out of their way to discredit this writer and his articles, and a semi-official disclaimer was put in the

form of a syllogism. "There are some international things," it ran. "Money is an international thing. This man is an international man."

To most Americans, the Latin American countries are a close confederation when it comes to policies, opinions, aspirations and ideals. When we think of anti-American agitation sweeping from one politician or writer in a single country over the whole South American continent, it makes us nervous.

But in reality the Latin American countries are all isolated from one another—so much so that Señor Carlos Silva Cruz, director of the Chilean National Library, is endeavoring to bring them closer together for the exchange of that technical, economic and scientific literature so necessary for their material development.

If a Chilean writes a useful book, it is read in his own country, but not in nearby Argentina or Peru, much less distant Central American countries, or Brazil, where Portuguese is the language.

In no Latin American country does the reading public exceed a million people—I mean that many people actually able to read. In some of the small countries it may be a few thousands. If Latin American books circulated widely in the different countries large editions could be published. But they don't, and the sale of a Latin American book is small, and publication seldom profitable.

As with news before our service was extended to his daily papers, the South American who knows anything at all of the United States through reading—its

people, character, work and ideals—knows it only through European books. In the main these are works written by foreign visitors to the United States, seeing us through French or other European spectacles. Thus there is a double distortion, and for the Latin American investigator bent upon adapting our practical achievements in his own country, a distance certain to defeat his efforts. The time element enters into it also, for matters in which we are making progress to-day may not be reported from Europe for years, or may be overlooked altogether.

Very few American books are sold on the Southern continent because our publishers have not established outlets or connections. Each large city has its "English bookstore," usually, but the stock in trade is chiefly British fiction, with some American "best sellers," and scarcely a five-foot shelf of solidier works, either British or American. The most enterprising publishers are those in the United States issuing technical handbooks dealing with machinery, electricity, mining, chemistry and like practical subjects. They seem to have worked out a scheme of distribution that lands their books where they are wanted, and other publishers in the United States and England ought to find out how they do it.

Señor Cruz has a plan for breaking down the Chinese walls around the different countries, and also the two continents. He suggests that the National Library in each country, including the United States, establish a bureau of Pan-American bibliographic information, cataloguing its own data on economics,



political organization, science, history, and literature, on a standard system. This information would then be exchanged by all the countries, and distributed to their universities, government departments, authors, editors or whomsoever might want it in his work.

Special information would also be furnished to investigators of special subjects, so that a Chilean interested in American educational methods, or Central American music, or Brazilian livestock improvement, could be put in touch with the latest facts.

The national libraries can also establish an international commerce in books, receiving volumes of general interest from publishers in other countries, placing them in bookstores, and collecting money when sold. The volumes would have to be sent on approval, of course, and unsold books taken back by the publishers, but after a time experience would unquestionably show which books aroused interest in other countries, and the mere accessibility of the books would encourage their sale. From our standpoint there is every reason to make representative American books available on some such plan, because Latin America has a new interest in us since the war, and thousands of her young people are learning English. In the American department of the Chilean Library there are forty to fifty readers daily consulting our books on educational, economic, technical and other subjects.

As the South American has his "Yankee peril," so we have our mistaken notions about the Southern countries and peoples, due to the same cause—lack of information.

South America is now getting news about us. But very little South American news appears in our own daily papers. Dispatches from that part of the world deal chiefly with the abnormal—strike riots in Argentina, a “manifestación” against some legation in Rio de Janeiro in sympathy with European diplomatic squabbles, political disturbances in this country or that, played up as “revolutions.” Some of us might name one South American president, and tell what he stands for, but to name more than two would be qualification as a Pan-American specialist. We know hardly any of the men, parties or political issues in the different countries. The South Americans meet us face to face in the movies, but we seldom get a chance to see them in our movie news.

In recent years our interest in South America seems to be growing. The journeys of Colonel Roosevelt, Mr. Root and other distinguished Americans, the stationing of American warships in the Southern hemisphere during the war, and the bringing of South America into our daily news, have led the average American to read about it. An increasing number of books dealing with South America has been published lately in the United States. One work in particular, the novel *El Supremo*, indicated an unsuspected desire of our reading public to know more about our Southern neighbors than we had learned from adventure stories like those of Richard Harding Davis. This novel dealt with Paraguay in the days of the Dictator Francia. The period was one hundred years ago, and the author had never been in South America,

but worked entirely from documents. His book contains many descriptions of South American people and their everyday life, and these seem to be most interesting to Americans, though those people, and their life and manners, have disappeared. It is said that Paraguay, far from preserving its quaintness, now seeks to emphasize its progressiveness. To that end, women are forbidden to smoke cigars in the streets of its capital, and when carrying bundles on their heads must not use the sidewalks! Following this new reading interest, steps are being taken to publish translations of South American books in the United States—novels and tales by authors in the different countries which depict their people and life at various periods.

Information, interest and acquaintance on both sides create goodwill. Goodwill is a valuable business asset; for us, a basis upon which to sell manufactured goods in South America, and for the South Americans a basis upon which to market their products and develop their resources. But goodwill goes farther than business. Nothing is more badly needed than broad public opinion in the two continents, based on understanding of the man in the street in New York about the man in the street in Rio de Janeiro, Buenos Aires, Montevideo, Santiago and Lima. The man in the street in Buenos Aires thinks the man in the street in New York is a dollar chaser, if he thinks about him at all. And the man in the street in New York believes that the man in the street in Buenos Aires is an Indian. For lack of acquaintance and understand-

ing, there has been a lack of public opinion and goodwill handicapping many projects which might have been carried out for the mutual benefit of all the Americas.

## CHAPTER XIV

### THE IMPORTANCE OF BUYING AS WELL AS SELLING

Nine in every ten of the books and articles about South America published in the United States deal with the same subject—how to sell goods on the Southern continent, pack goods, ship goods, collect the money for goods.

Very little is published about the other side of our trade—the buying of South America's products, the development of markets for them, the increase of production, the establishment of industries for working them up down there, the effect of South American products upon our own industries.

Yet this is a larger part of our trade than selling. We are South America's best customer, buying in dollars nearly twice as much as we sell her. The balance of trade is in favor of every one of the South American republics, from Brazil down to Paraguay. This is also true of eight Central American republics, only Honduras and Hayti buying more from us than they sell.

The largest investment of our capital in South America is a buying and manufacturing enterprise—the American packing houses. Until Chicago packers created an export market for Argentina's pork, hogs

were hardly worth raising in that country, except for local demand. When that had been met, there was no outlet for the animals. If an Argentino rancher raised good hogs in any number he was so certain to lose money that hogs had become a rancher's joke. But to-day the American packing houses at La Plata buy hogs in any number, as a policy, even though it is necessary to hold pork products in cold storage. They have created a stable world market. They are encouraging the industry by importing fine breeding animals from the United States for sale to ranchers at cost. Argentina's swine are, therefore, being brought up to the same high standard as her cattle, horses and sheep.

In Paraguay the American packers have rendered another service. That country is too remote from world markets to ship fresh frozen beef, and its cattle of too poor grade for the purpose, even were markets accessible. Until the packers came, Paraguayan cattle were killed chiefly for jerked beef, mildly pickled and sun dried, a staple food of Latin Americans from Brazil, where it is called "xarque," to Cuba, where it is popular as "tasajo." When war created a demand for the "bully beef" of the soldiers' rations, American packers were able to establish canned corned beef plants in Paraguay, the half-wild cattle raised for jerked beef being excellent "canners." Peace brought a slackened demand for this staple, yet the packers are still running their plants and endeavoring to increase civilian demand for canned corned beef in Europe, so Paraguay's road to world markets will not be blocked.

Many of our industries have been built upon Latin American materials. Were these materials unobtainable, the industries would cease. Without industries, the materials would be practically unsalable.

Probably the most interesting example of such interdependence is chewing gum, made from chicle. Until the war, it was so characteristic an American specialty as to be a subject of humor in other countries. Then the strain of trench life and soldiering extended its use abroad.

The importance of Latin America to our industries is indicated by a few figures. We purchase from South and Central America 56 per cent of our total imports of hides and skins for leather, 67 per cent of our bones and horns for buttons and miscellaneous products, 30 per cent of our wool, 100 per cent tin, 100 per cent nitrate and iodine, 70 per cent copper, 78 per cent tungsten, 42 per cent platinum, 100 per cent bananas and pineapples, 98 per cent coffee, 98 per cent coconuts, 98 per cent sisal fiber for binder twine, 83 per cent guano and 67 per cent tankage for fertilizer, along with vegetable ivory, vegetable wax, manganese, tanning extracts, dyewoods, flavorings, spices and other products.

But for British enterprise in developing plantation rubber, we should to-day probably be actively coöperating with the Brazilians to increase the supply of wild rubber upon which the success and growth of our automobile industry would depend, along with innumerable other industries based upon rubber. We use to-day four pounds of rubber yearly per capita,

half of it for automobile tires. Brazil's output would provide only a single tire and an extra inner tube for each automobile in the United States, leaving no rubber for any other purpose, or any other country. If Brazil herself had good roads and motor transport in keeping with her needs, her 38,000 tons of rubber would not meet her own requirements. When a rubber shortage threatened our industries in the years from 1905 to 1912, Brazilian producers did not increase the output—Brazilian speculators simply ran prices from seventy-five cents, then normal and profitable, to two and three dollars a pound. That ultimately worked damage to Brazil, because American manufacturers were forced to drop unfounded prejudice against plantation rubber and discover its merits. To-day Brazilian rubber brings less than fifty cents a pound, despite its admitted qualities. The Amazon industry faces a period of reconstruction and organization, and when that comes the influence of the American rubber buyer and manufacturer will be indispensable.

A similar opportunity is found at this writing in the cacao industry of the Central and South American countries in the tropical zone. The demand for chocolate and cocoa has been so great that growers of this product were forced to adopt intensive methods of cultivation—selection of heavy-bearing varieties, scientific methods of curing and grading, and the like. In 1913, 70 per cent of the cacao imported into the United States came from Latin American countries. But, as with rubber, Africa and the East Indies are developing production on modern scientific lines. Starting



with negligible exports in 1910, these countries shipped us nearly 35 per cent of our imports in 1919, with a corresponding decrease in Latin American shipments. The enterprise of the American buyer, financier and scientist will ultimately be needed to enable Latin American cacao producing countries to increase their output and improve quality, and it is a distinct opportunity in tropical Brazil, Ecuador, Venezuela and Central America.

There is little need to explain the direct benefits to any American community of a selling market in Latin America for its manufactured products. Community pride and enterprise are strong with us, and new orders for dehydrating machinery from Chile, or a large shipment of lister plows to Argentina from "our town," attracts more attention than routine sales at home.

But there is community benefit to be secured on the buying end as well. An excellent illustration is the effort of San Francisco importers to divert Central American coffee shipments to that city, instead of purchasing through New Orleans, with the long railroad haul to the Pacific Coast. Starting with accurate knowledge of the qualities of Central American coffees, the importers, brokers and coffee roasters undertook an advertising campaign in Central American newspapers, showing growers the advantage of that city as a market. These advertisements, in the form of short talks in Spanish, were published in Guatemala, Salvador, Nicaragua and Costa Rica. They pointed out the advantages of San Francisco as a market, com-

pared with Europe and our Eastern states, gave figures of wealth on the Pacific Coast and the increasing demand for coffee, explained that Pacific Coast taste preferred Central American coffees, dwelt upon the economies in shipping direct, and invited coffee growers and exporters to visit San Francisco. The outcome of this well-planned buying campaign was to increase San Francisco's receipts of Central American coffees more than 200 per cent in five years.

In Peru the cotton crop includes a fine grade of tree cotton, known as "rough Peruvian," with a kinky wool-like fiber that makes it suitable for flannels and mixed goods. Before the war the buying of this cotton was in German hands, although we took sixty per cent of the crop at prices fifty per cent higher than those paid for our own cotton. War made it necessary for a large New Hampshire mill to send its own purchasing agent to Peru, eliminating five different profits between field and factory, as well as securing the cream of the crop.

The buying viewpoint in South America demands more attention from us. We have concentrated the efforts of the exporter and salesman there, neglecting opportunities for the purchasing agent, chemist, designer and engineer to obtain and utilize materials. Traffic in these materials has often been controlled by European capitalists, manufacturers and buyers, to our disadvantage and cost. The costs have been assessed against us in unsuspected buying and banking commissions. We have been handicapped in selling manufactured goods to South America by the triangu-

lar routing of South America's raw materials to our ports, and the hauling of our own raw materials to European factories for making merchandise to be sold in South America again on the third leg of the triangular voyage.

Our largest single purchase in South America is coffee. As Brazil's largest customer, we have been able to get certain tariff preferences for American goods entering that country. But they are declared to be largely on paper. Thirty per cent preference is allowed on American wheat flour—but Brazil is buying flour from Argentina, and also growing wheat preparatory to making her own. As good customers for Brazilian rubber, we are entitled to a preference on every manufactured article of that substance sold her if the raw rubber was Brazilian. But only theoretically—it has been so hard to prove that the rubber in a tire or inner tube is of Brazilian origin that the preference is practically noneffective. Other tariff preferences are granted upon manufactured rubber articles, cement, condensed milk, dried fruit, scales, refrigerators, typewriters, windmills, school furniture, pianos, roll-top desks, clocks, paints and varnishes. But the trade advantage to us has been small compared with Europe's advantages in having buyers on the spot, financing its purchases of raw materials, and routing them in its own ships.

Buying is intricately tied up with our investments in South America. As an example, our largest investment there at this writing is in meat packing plants. The meat packing industry earns its profits by careful

utilization of by-products. In Argentina a local corporation, composed largely of ranch owners, built a coöperative packing plant, managed by Argentinos. When the Chicago packers came to Buenos Aires, this plant was losing money, and even its stockholders preferred to sell their live cattle to the Americans because the latter offered higher prices. Eventually the co-operative plant was sold to the Americans, and in the first year under their management \$250,000 was made on waste material which the Argentinos had been paying to have hauled away to a dump.

With all the refinements in our packing technique the American plants in Argentina, Uruguay and Brazil have thus far been unable to find a market for such profitable delicacies as sweetbreads, pork tenderloins, choice cuts of beef and spring lamb. South Americans produce spring lamb, but do not eat it. Sweetbreads are not eaten either, and pork tenderloins must go into sausage for lack of a local market. Choice cuts of beef are not wanted, because the whole philosophy of butchering in Latin American countries differs from our own. Fancy steaks and roasts are unobtainable, because Latin taste prefers stewing cuts, and the nearest approach to a steak is a "filet," cut from almost any part of the carcass. Latin taste is also almost entirely for fresh-killed meat, and the chilled beef, which we prefer, is not only unknown, but in one country at least—Uruguay—may not be legally sold. Thus we have the familiar paradox found in many other famous producing regions—that South America ships millions of sides of chilled beef, ready

to be cut into the finest steaks, roasts and chops, yet such cuts are unobtainable in Buenos Aires, Montevideo, São Paulo and Rio de Janeiro. The remedy for this situation will be found in refrigerator space on our merchant ships, enabling American packers on the Southern continent to send all such delicacies to the United States, where a profitable market awaits them. Refrigeration on American ships will also make possible an exchange of such seasonal commodities as eggs. The American hen reaches her peak of production in April. The South American hen is busiest in October. Eggs are scarcest and dearest in South America when our hens are laying most abundantly, while eggs are most plentiful on the Southern continent during the months from October to January, when prices are highest with us. With refrigerator ships, and the organization of an egg-collecting and packing industry in South America, we can relieve our winter shortage with eggs from the Southern countries and in turn export eggs to them during our season of plenty.

Buying is also intimately tied up with the grave problem of return cargoes for our ships. We send twice as much tonnage to the East Coast of South America as is available for return voyage. Our goods are bulky—coal, steel, cement, and the like. In return, we bring back coffee, rubber, goat skins, hides and wool, which do not run to anything approaching the same tonnage. There is only one way to equalize this tonnage—that of creative buying in South Ameri-

can countries so that they may find larger markets and increase their production.

When creative American buying is linked with American ships and American investments, the South American countries will be able to overcome one of their greatest trade handicaps—that of speculation and fluctuation in their products. One authority declares that Brazil, for instance, has never had a normal trade year. Demand and production have not only shifted from one article to another, now sugar, then rubber, then coffee, or cotton, but fluctuations in the output and the world's needs have changed from year to year. In a single twelvemonth the price of rubber dropping from \$1.50 to 50 cents a pound has set the rubber workers collecting Brazil nuts and vegetable wax. Overproduction of coffee has made it necessary for the São Paulo government to protect growers through an elaborate system of valorization, and also directed attention to such new fields of agriculture as cattle raising. Argentina and Uruguay, with their meat and grain industries, are now prosperous, and to-morrow losing money, according to changes in world demand. Chile thrives when her sales of nitrates are large, and must retrench when the demand falls off.

Diversification of products and industries is the remedy for this situation, and creative buying, with the establishment of new export markets, the logical way to bring it about. Creative American buying means creative selling of our own products, for the buying power of the South American masses is in

the purchasing agent's province no less than that of the salesman.

As this chapter is written, an excellent example of creative buying comes to hand—an illustration of American methods at their best, but in another part of the world. An American manufacturer, with enormous war-created facilities for turning out locomotives and railroad equipment, visited Eastern Europe seeking customers. Railroad equipment was desperately needed in the Balkan nations, yet with depreciated currency, exhausted credit and other handicaps, purchases seemed impossible. An American locomotive paid for in American dollars purchased with the low-value money of those countries would have cost them in real values, measured in their own work, several times the price at which we sold it. Therefore, Mr. Samuel Vauclain, of the Baldwin Locomotive Works, resorted to barter. The Balkan countries had petroleum, grain and other raw materials. These were accepted as payment for \$100,000,000 worth of railroad equipment, and arrangements made for transporting and selling them in European countries that needed raw materials as badly as the Balkans needed railroad reconstruction. The petroleum and grain were turned into American currency, realizing a profit on the whole transaction, without further burdening the purchasing countries with bond issues, or forcing them to seek outside financial assistance.

Of course, direct barter is not likely to enter into our business with South American countries, for their products are readily marketable, yielding money with

which to pay for anything they may purchase. But beneath the money transactions involved the framework of barter will always be found. To ascertain what people in different countries and sections of South America produce, as well as their undeveloped resources; to help increase their earning and purchasing power by developing resources; to improve their products through grading and like means, and finding markets or providing new marketing facilities—these are inseparable from selling and exporting. The framework of barter always exists. In South American capitals it may be out of sight, but should never be out of mind. As the cities are left behind, and business is carried up into the country, it becomes more and more visible. Constantly to take this barter aspect into account is to see business whole in South American transactions.



## CHAPTER XV

### ABOUT "PICKING UP" THE SPANISH LANGUAGE

The island of Jamaica has a Spanish name, derived from an old Arawak Indian word. More than half its trade is with the United States, export and import. Guided by the name only, many an American shipping clerk assumes that it is "one of them South American countries." For Jamaican merchants who handle American goods frequently receive attractive advertising matter printed in Spanish, and are also addressed in that language by American correspondents. As Jamaica is a British colony, nobody understands Spanish!

The American business man has long been scolded by export advisers for trying to do business with South America in his own language.

This amusing instance seems to show that he is improving.

Really, we do better nowadays in the matter of the other fellow's language than most people suspect, at least in South America. The Yankee salesman trying to sell goods there without Spanish may have been numerous once, but he is getting scarce.

Instead, one finds throughout Latin America a class

of Yankees who have been living Spanish, as well as speaking it, these twenty-odd years.

Our Philippine adventure gave us thousands of them, and everywhere in Latin America the ex-soldier of the United States Army, utilizing his Philippine experience, is found in executive positions. Thousands of other Yankees have been driven out of Mexico, and are selling goods, managing branches, holding bank positions on the Southern continent. Like the Philippine veterans, they are a clan, fond of Spanish ways, rich in Spanish American friendships, and still in love with Mexico as a country. Other representatives have learned Spanish in Porto Rico, linguistically and temperamentally. There is the Cuban who has become a Yankee through schooling or business training in the United States, almost invariably a hustler in two languages. Many Porto Ricans are as well equipped to represent American interests in the Spanish-speaking countries.

Not so often nowadays does one run across Yankees like a certain salesman who, visiting South America for the first time, said that he found no difficulty at all in selling goods.

"But you speak no Spanish, do you?" was asked. "How do you get along?"

"Easy enough!" was the reply. "I take an interpreter with me."

The chief difficulty in this language question is found, not in South America, but here at home.

Next to the British, we are the most hidebound of nations in the matter of languages. The British steam-

ship steward will spend years in the South American service, yet never learn that “café” means “coffee.” Spanish-speaking passengers drive him distracted: “You cawn’t understand them, sir,” he protests; “really, they should bring an interpreter to speak English—this is an English ship, you know.” We have better language opportunities, with our diversified immigration. But if a visitor speaks English brokenly, we class him contemptuously as a “foreigner,” which means inferior, though he may speak several languages against our one.

Attracted by the South American as a possible customer, our first thought seems to be that he probably speaks English anyway, being a “foreigner.” We are so accustomed to enterprise among foreigners at home in this matter that it seems natural for them to learn our language. Actually, they do—the writer voyaged to Buenos Aires with an Argentino consul who had learned English during a three weeks’ visit to New York. He spoke haltingly, but plainly. “The secret?” he said, producing a thick lesson book. “It is study—I have learned that by heart.”

Finally, making the tremendous concession that the best way to do business with South Americans is in their own language, we say, “Well, send Jones to night school for a few weeks before he goes to South America. That will give him a book knowledge of Spanish. He is naturally bright, and a splendid salesman. When he gets down there he will soon pick up the language.”

Sometimes we have heard—but again not—that

about forty per cent of the South Americans speak Portuguese. Spanish and Portuguese will take one over pretty much the whole continent, yet at times it is a fine thing to know Italian, German or French.

There are unquestionably men and women who find it easy to "pick up" languages. A veteran salesman says that, thanks to an inherited gift, he was able to do business in five languages on his first trip to South America. The writer once met a Jew who spoke Chinese fluently. Children are often born into two languages, like "Peter Ibbetson," and Du Maurier, his creator. Language seems to be a "bump," even though phrenology is nowadays discredited, for scientists have found its areas in the brain, and there are cases where an Englishman learning Greek in school, and later having his English brain area destroyed, was driven to Greek for everyday communication.

That Jones will "pick up" Spanish in a few weeks is a very long chance—about one in one hundred. If he is among the other ninety-nine, all his Spanish must be acquired by patient grubbing, and then he may be able to get along only in monosyllables, with waiters and taxi drivers.

We Americans have a persistent belief that Spanish is an easy language. And so it is, compared to English, French or German, because each vowel has its own unvarying sound, and nearly all the consonants. Spanish is almost scientific in its rules, and practically free from non-Latin words and roots. But the blunders even a native can make with the gender, number,

tense and person of even the Spanish regular verb—*Ola!*

A Yankee finished a hearty meal in a Buenos Aires restaurant, and put his elementary Spanish together to ask for the check. *Como* means "how" and *mucho* means "much."

"*Como mucho?*" he asked the waiter.

"Certainly, señor," was the reply. "Eat all you want."

"*Como mucho?*" he repeated, finishing his dessert, and again the waiter tried to assure him that the food was there to be eaten, and he needn't be ashamed of a hearty appetite. For the word *como* also means "I eat," and the Yankee was really saying, "I eat a great deal."

A companion story is that of an Argentine professor, visiting the United States, who learned to like ice cream before he mastered English. Going to the drug store one evening for this delicacy, he kept repeating, "*Hielo* (ice), cold; *crema*, cream; *hielo*, cold; *crema*, cream." And what he finally asked for was—cold cream.

If we can drop the notion that any foreign language is easily picked up, it will be most beneficial in helping us visualize the South American requirements. It is chiefly a notion of the stay-at-home. To be pushed off into the deep water of a country where the language is strange, and one cannot even order a simple meal or ask his way in the streets, is an experience that will give anybody understanding and sympathy in this

matter, and respect for the difficulties most persons encounter in the study of languages.<sup>1</sup>

Our public schools, business colleges and night classes are teaching thousands of young folks what they think is French, Spanish, Italian and whatnot. So far as Spanish is concerned, this study may enable them to read the Spanish American newspapers, but not to speak fluently, and least of all to understand the rapid idiomatic language heard on all sides. Practically every South American country has its own variation of the mother tongue. The Argentino with his "cazzhay" instead of "calyay" in pronouncing words like "calle" differs from the Uruguayan across the river, with his Basque accent. The Chileans have a special Spanish of their own, with their own Academy to supervise it, and the Limans speak the purest Spanish of all, yet different from that of Spain.

There is as yet a lack of language books dealing with

<sup>1</sup>What the tyro's Spanish or Portuguese looks like in Buenos Aires or Rio de Janeiro may be shown by an example of a tyro's English—the only letter Napoleon ever wrote in our language, after several months' study at St. Helena, in middle age. It has one characteristic common to most all such efforts, that of clearness—Napoleon does not write English, yet there is no doubt about what he means:

"Count Lascases. Since sixt wek y learn the english and y do not any progress. Sixt week do fourty and two day. If might have learn fivty word, for day, i could know it two thousands and two hundred. It is in the dictionary more of foorty thousand; even he could most twenty; bot much of *tems*. For know it or hundred and twenty week which do more two years. After this you shall agree that the study of one *tongue* is a great labour who it must *do into* the young aged.

"Longwood, this morning, the seven march thursday one thousand eight hundred sixteen after nativity the yors Jesus Christ.

"Count Lascases, chambellan of the S. M., Longwood; into his polac; very press."

the Spanish of Latin America, as contrasted with that of Spain. Occasionally, vocabulary and phrase books deal with the local peculiarities of language in the different Spanish American countries, each of which has its words and idiomatic expressions. Sometimes these have grown out of Indian languages, and again are due to the mixture of two European languages, as in Argentina, where Italian population and influence are marked. The best work of the kind that has come to the writer's attention is *Terry's Short Cut to Spanish* (Houghton, Mifflin & Co., Boston, 1920). This book is written chiefly from the standpoint of Mexican idiom, and is somewhat optimistic as to the "easiness" of learning Spanish. It deals also with the idioms of Argentina, Chile, Peru, Bolivia and the Central American countries.

To acquire a good book knowledge of Spanish usually takes months of hard memorizing, and months more, if not years, of everyday life in a Spanish country to acquire ease in the idiom. Many Americans living in Spanish countries become keen students of the complexities of noun and verb, which are inexhaustible.

As has been pointed out by Professor Frederick B. Luquiens, Spanish instructor at Yale, it is a mistake for Americans to study Spanish under Spaniards, as is almost invariably done. Students fancy that the language can be acquired with a purer accent in that way. But differences in accent between Spain and Latin America are not important, says Professor Luquiens. What we need more than accent is acquaintance with South America's spirit, which is that

of a young country, contrasted with Spain, an old country. To learn the Spanish of Spain for use in South America is equivalent to learning English in London for use in Chicago. We need Spanish not merely for business purposes, but to increase our knowledge of South America, and help form the understanding and public opinion essential to both continents. For this reason he urges that teachers be chosen from South American countries.

For the salesman and resident representative on the Southern continent Spanish or Portuguese is indispensable, and a good command of the language at that. Nothing is more tiring than trying to carry on a conversation with some one who speaks your own language haltingly, blunderingly, without the shorthand of idiom and slang. Where two thirds of one's time must be devoted to guessing what the other fellow means, and trying to make him understand, there can be no business communication, and the South American very wisely avoids such a visitor after giving him one or two free language lessons.

Yet many Americans do business on the Southern continent, and do it well, without a word of Spanish or Portuguese—or keeping the few words they know strictly for waiters. These men are executives, however. They are not selling goods or adjusting complaints, but making broad investigations and recommendations in basic conditions. Laying the foundation of business, upon which representatives and salesmen will build later, their transactions are with government officials, local authorities, heads of business



concerns and principals generally. Usually they have the benefit of interpretation through their own representatives in the different countries, and their prominence and individuality assure a courteous waiving of language.

This brings up the subject of interpreters.

The notion that some one who speaks both languages can always be found to translate conversation is prevalent among Americans—and mischievous, as a little experience of hired interpreters will demonstrate. The hired interpreter is always available for a few dollars a day, and often an intelligent fellow, eager to earn his money. More than that, if he likes his client, or finds the work interesting, he may forget money, and it will be hard to make him take his wages.

He knows helpful little temperamental things.

"The man we are now going to see," he coaches you beforehand, "is very able, but very vain. After I introduce you, say that you have heard of him in the United States."

And if you forget to say this, he will be sure to say it for you, and wrap it up in the flowers of Latin felicitation. He knows everybody, and pushes past subordinates to principals. He provides you with a setting, as a distinguished visitor from North America, who is going to do much for *el país* (the country)—that is, if he knows his business.

But there are factors out of his control.

For example, after three days of preliminary courtesies, you finally enter the private office of a South American notable who can further your mission.

The compliments are passed, not forgetting the one about his fame having reached your own restless *pais*. Through the interpreter you ask a question, or make a statement. Eagerly the South American begins to talk. You watch his face, smiling, giving a perfect imitation of comprehension, though you do not understand a word. A dozen sentences would tell what you want to know. He talks on and on. It takes both the interpreter and yourself to stop him, and then the interpreter turns to you. "He says——!" and endeavors to condense the long harangue so that you get its substance. Another question starts him off again, and you soon see that the conversation has really given him an opportunity to make a speech. Sometimes you find yourself making speeches, as interesting phases of a subject crop up in your mind, and you forget that one of the smiling listeners cannot understand a word you say.

Now, your talk may be technical. The interpreter understands Spanish and English, but is wholly unacquainted with the technical aspects. If you are working through your own branch representative, as interpreter, he would make the technicalities clear in both languages. He could listen to a long speech by the South American and give you the gist of it that night at dinner. But the hired interpreter is obviously handicapped in these respects.

When technical matters are left to a hired interpreter serious errors are bound to occur. Details are mis-translated, terms misunderstood. It is like doing business with a deaf mute. Misinterpretation of a single

technical word in a contract has cost many thousands of dollars in cases where business was done this way.

For the salesman, good command of the other fellow's language is absolutely indispensable, and selections should be made from the large number of Americans with experience in South America or our Spanish-speaking dependencies, or among the many Spanish Americans. Some prejudice exists against the latter because, being chosen chiefly for their knowledge of Spanish, but not trained salesmen, they have not done well in the Spanish American field. But that can be overcome by training good men in the United States before sending them out, and there is also a class of what might be called "Spanish North Americans" who have added American business training to Spanish American birth.

One may be unable to speak the other fellow's language, yet be linguistically *simpatico*. Our Government some years ago sent an instructor to one of the South American countries. The man chosen was constantly complaining of the people and the life. After more than a year among them he knew hardly a word of the language. He is an excellent illustration of the wrong viewpoint. The right viewpoint is to like the people, or at least learn enough of their language to catch the drift of headlines in the newspapers, and be able to read a letter—these are matters of studying the dictionary, and do not involve training the ear and vocal organs.

If the visitor is able even to read a little Spanish it helps in many ways. For example, he can correspond

with an Argentino or Chileno, reading their letters in Spanish and answering in English that can be understood by them through similarity to Spanish. Our language is a grab-bag of every language on earth, and rich in Latin roots. By choosing Latin words, the meaning can be made clear to a Spanish-speaking person who knows no English. For example, instead of using Anglo-Saxon words to say "Your welcome letter is at hand," words similar to Spanish may be used, as "Your amiable communication received." Thus, out of four words, three approximate the Spanish—*amable*, *comunicación*, *recibir*. There are many words synonymous in both languages, usually different in pronunciation, but practically alike to the eye: attention, *atención*; condition, *condición*; different, *diferente*; diligent, *diligente*; future, *futuro*; extreme, *extremo*; imperfect, *imperfecto*; interesting, *interesante*; person, *persona*; present, *presente*; repeat, *repetir*; nation, *nación*; famous, *famoso*. Selecting such words in correspondence is not only a courteous way of making one's self clear, but an excellent drill in language.

Probably three Americans in four have still to learn that the Brazilians speak Portuguese. In the wide substitution of Spanish for German in our schools and colleges, students have been assured that this language will be useful in our wider relations with Latin America. Hardly any Portuguese courses have been provided, however, and even such all-knowing persons as our college presidents have been astonished when assured that Portuguese is the language of forty per cent of the South American people.

It is often assumed that Spanish is pretty much like Portuguese, and will answer every purpose in Brazil, and again, that the Brazilians all speak French. Both assumptions are wrong. The educated Brazilian learns French as his other language, and it is also spoken in the shops in the principal cities. Back in the country French is of no more use than Choctaw. The Brazilian understands Spanish, but even Spaniards may have difficulties in understanding Portuguese. The use of Spanish in Brazil, particularly for advertising matter, catalogues and correspondence, is a reflection upon the people of that country, who feel that the concern using it in correspondence or printed matter has not thought Brazil important enough to acquire its language. Moreover, there is still a certain antagonism between Brazilians and their Spanish-speaking neighbors, arising out of old wars. And it is returned with interest, for any joke about a Brazilian, no matter how obvious, is certain of its laugh in Argentina or Uruguay.

Portuguese is more difficult than Spanish. It has more vowel and consonant sounds, and more arbitrary pronunciation, like French. Its words differ radically from Spanish in many cases. For instance, the word “no” in Spanish means the same thing as in English, but in Portuguese it means “in the.” “Good day” is *buenos dias* in Spanish and *bom dia* in Portuguese. “Thanks very much” is *muchas gracias* in Spanish and in Portuguese *muito obrigado*. Portuguese also has more words from other languages, echoes of world-wide exploration by Portuguese navigators, while in

Brazil the language has been modified by Indian words. With a speaking knowledge of Spanish, however, backed by diligent study and practice, the average American can acquire facility in Portuguese in from six months to a year. Meanwhile his Spanish will serve most ends and the Brazilians will be tolerant of him, for as they say themselves, "We Brazilians love fun, and will laugh at anything except a foreigner's mistakes in our language." As in the Spanish-speaking countries, by far the greater proportion of Americans doing business in Brazil, either as resident representatives or travelers, speak the language of the country, and in many cases speak it fluently.

## CHAPTER XVI

### WHAT CHANCE FOR ME IN SOUTH AMERICA?

"Like any country town at home, only smaller," was the verdict of a disappointed American who had landed a bank job in a South American republic. Evidently he had anticipated romance—dark-eyed señoritas, guitar-playing caballeros, parrots, monkeys.

Yes, perhaps even gold in the streets.

For thousands of young Americans have had their thoughts turned toward the Southern continent the past two or three years, and regard it as a region where money is easily made by reason of its fundamental riches, or where life will be picturesque and different. This is shown by inquiries from young men:

"Would you advise me to try and better myself in South America?" they ask, in substance. "I am twenty-four years old, a graduate of Downcreek College, and am taking Spanish lessons. What line of business in South America offers the best opportunities? What countries do you recommend? Any assistance you can give me in securing a position there, or names of people to whom I can apply, will be highly appreciated."

It is not a simple matter to answer such inquiries for in South America everything depends. Every one of the ten republics is fundamentally rich, and people

are constantly finding opportunities in them. But it is safe to say that, for every opportunity in South America our own country offers fifty, and for every dollar of easy riches there are a few more dollars in the United States.

The inquiries come chiefly from youngsters who have lately finished school, and are starting out in life. Invariably they seek a job, because salary or wages are necessary, and they have as yet no plans for business on their own account.

Now, South America is one of the last places in the world for them, viewed from this standpoint. Its industrial and commercial life is as yet slenderly developed beside our own. Its ready-made jobs in office, factory and warehouse are few, not very well paid, and the Yankee going there blindly to seek employment would encounter all the difficulties of language and a strange atmosphere, plus the competition of the thousands of South Americans crowding into the cities, as well as the job hunters constantly coming from the poorest countries of Europe.

The place to begin hunting a South American job is at home. Five years ago such a quest would have been fantastic, but to-day there are many branches of American business concerns on the Southern continent. With hardly any exception they recruit American employees in the United States. The list includes American branch banks, meat packing companies, shipping, exporting, importing and manufacturing concerns. In most cases two-thirds of their employees on the Southern continent are Latin Americans, but every ship car-



ries employees from this country. These are managers, superintendents, accountants, salesmen, technical experts and specialists, for the most part chosen from the home organization because they have some particular ability or experience. But there are also considerable numbers of young men, and also women, sent to fill subordinate positions as secretaries, stenographers, bookkeepers, foremen and assistants generally. The American business colonies in several of the largest South American capitals have been growing so fast lately that stenographers and office employees familiar with American methods are sometimes obtained with difficulty, and the American job hunter with experience in those lines might find a position waiting him when he landed in Rio de Janeiro or Buenos Aires. The expansion of our business in South America has also made openings for other persons with special skill, such as compositors and proofreaders who can step into a printing office where nobody understands English, and produce advertising material in the American language, and with American character. But to take ship for South America on the chance of securing such positions after arrival is not to be recommended—it is altogether too long a shot.

After he has landed a job, and arrived in South America, the Yankee is often dissatisfied with it, and with the country to which he has been sent. If he has a wife, dissatisfaction is often intensified. The young Britisher, German, Italian, Spaniard and Portuguese set out for South America with the intention of staying twenty or thirty years, if not permanently. Coming

from countries more crowded than ours, where opportunities are not so plentiful, they find better chances to rise in the world. Moreover, they find large colonies of their countrymen; so that even the Britisher can enjoy his sports and hobbies. But the American colonies are still small, and loneliness, especially for women, turns thoughts back to "God's country" breeding comparisons that often lead to an almost morbid dissatisfaction.

Of course, there are exceptional Americans who thrive in Latin countries, and prefer them to the United States. Some are of Latin descent and find themselves thoroughly at home. Others have lived for years in Latin countries—Mexico, Porto Rico, Cuba, the Philippines. Still others catch the drift of Latin American life, really master the language, and make a place for themselves in the society and affairs of the country. Unfortunately, there are not as many of these exceptional people as we need for the management of our South American trade, and the average American regards his stay as exile.

But even two or three years' exile in South America may be worth while if one has interesting work and regards it as training and experience.

One type of bank employee sent South looks at the salary he is paid, contrasting it with the cost of living, which is fifty to one hundred per cent higher than at home. But another bank man appreciates the opportunity to learn technicalities not common in everyday banking at home—foreign exchange, accounting in half a dozen different currencies, financing import and ex-

port business, the mechanism and advantages of branch banking. Similar opportunities are found for learning the technicalities of shipping, marine insurance, investments, tariffs, customs methods, selling manufactured goods, buying raw materials, keeping track of credit information, becoming familiar with Latin American law and business customs.

A good streak of romance and a sure-fire sense of humor are essential in the American going to the Southern continent. Everybody sets out romantically, of course—the very prospect of travel, and the strangeness of new countries, carry one buoyantly for a few weeks. But, unfortunately, nine persons in ten lose this fresh interest when they discover that even in South America one cannot escape a certain amount of daily grind, or elude the butcher or landlord. The first few weeks' enjoyment of people and ways that are different, because they are different, is followed by pessimistic comparisons with people and ways at home. Everything at home takes on a halo of perfection, and everything in one's South American surroundings is absolutely wrong just because it is different. Without a fast-color streak of romance and the detachment that enables one to laugh, presently there are little cliques of self-pitying exiles, whispering awful things about "these people"—the natives of the country. This is characteristic of the business colonists everywhere. American cliques do it in London and Hongkong, Britons in New York and Petrograd, Frenchmen, Germans, Italians, everybody—of a kind. But it is simply another form of provincialism, and as one goes

abroad to understand and enjoy countries and people different from his own, the cure is cosmopolitanism. Fortunately, there are always true men and women of the world outside the circles of the exiles who have "dug in," and it is worth while finding and cultivating them as friends.

Another angle to this subject is the selection by American business concerns of suitable representatives and employees for service in South America.

Viewed from the Southern continent, the selections are not always wise. Choice is governed chiefly by ability at home. Jones is picked from the plant organization because he knows better than anybody else how to get production in a certain line. But Jones has a wife. He is middle-aged, comfortable without his salary because he receives royalties from patents, loves his home in the suburbs better than anything else. Mrs. Jones must either stay at home and be worried and lonesome, or go to South America, lose all her friends, and be worried and lonesome, too. Jones doesn't understand Spanish, makes no South American friends, doesn't like the people or the countries, and frankly says so. They send him around from place to place—La Plata to Montevideo—to Asunción—to São Paulo—to Rio Grande do Sul by the craziest jerkwater railroad he ever saw. Jones loses his grip on production. Production is not a matter of machinery alone. The human element enters in. At home Jones understands the human element. But here he cannot put his finger on it because there is a gap of language and temperament.

Again, Jones may be all right, but his wife all wrong. Our executives at home have a blithe way of ordering subordinates to South America, taking wives and families for granted. About one American woman in twenty really likes South America to live in and make friends and a place for herself, and in some cases that type of woman has needed a trip to the United States, after several years on the Southern continent, to find out that she did like it after all. Almost without exception, the American women compelled to live in South America miss their relatives, their friends, their comfortable and pretty things. Where there are children educational difficulties arise. Of course, not every American woman complains. The food and servants may be different, the apartment chilly, the American colony gossipy, and she wants to go home. But there is a certain kind of American woman who says little, making the best of the situation, letting her husband work in peace, and helping him. Unfortunately, there are others who grumble ceaselessly, and add to the perplexities of the men sent to handle important business matters. And this is so much a factor in the efficiency of men sent to South America that wife and family should by all means be taken into account when selections are made.

When we have been a few years longer in world trade there will undoubtedly be more Americans available for work in other countries—men and women who have discovered that they like life abroad and who have made homes and friends there. There are Americans of that

sort already on the Southern continent, but probably each represents at least one hundred who have gone home dissatisfied. World trade calls for world citizens. The British and European industrial nations have developed such citizens. We are going through the process of selection, and it is costly, tedious and irritating. At a rough guess, each American who remains more than a year in our branch banking organization on the Southern continent is one in twenty, others having left because they were homesick, did not consider salaries adequate in the expensive Latin Republics, did not like the foreign atmosphere, or believed that better opportunities existed at home. But the one man or woman out of the twenty is usually a prize, finding the work and the life full of interest and possibilities. In other extensive American organizations, such as the packing houses, it is frankly recognized that most Americans do not like to live abroad for long periods, and employees are, therefore, sent out for definite contract terms, averaging three years, with extra compensation to cover increased living expenses. But here, too, there are men and women who like South America, and so there is gradually emerging a class of Americans who will stick. Meanwhile, for the executive building of a South American organization, it is cut and try, cut and try again. The cutting and trying should be done in the United States, as far as possible, avoiding the cost and disappointment of the long trip south and the speedy return of the employee who does not fit.

Some of the Americans roving over the Southern continent are, to put it mildly, not representative of our

country. An extreme instance is the lady who applied for employment to Ambassador Morgan, in Brazil, stating that she was a countrywoman of his, could do a "turn" with snakes, and was tattooed all over.

In contrast, another class of Americans should be seen oftener in the Latin Republics—principals and executives representative of American business at its best. Thus far, the tendency has been to send the salesman, resident agent, auditor and engineer. South America needs more than merchandise. It has its big problems—the development of resources, financing of enterprises, and building solid foundations for its future. It needs acquaintance, public opinion, business friends. It wants to see and talk with American captains of industry, and the latter should know South America and its peoples at first hand, so they may plan and direct with confidence and imagination. South America is not a business side issue for us, but a field of permanent activity. We should build there as though it were an undeveloped section of our own country. And it must be remembered that in doing so we are pitted against principals from older industrial countries.

The cost of such a trip is to be figured in time rather than money. It comes a little high, for at least three months should be given to a circuit of the continent. But it is a splendid personal investment. The most agreeable route in the opinion of many travelers is by way of the West Coast, through Panama. The West Coast countries are less populous than those of the East Coast, not so well developed, nor so comfortable in

the matter of hotels and transportation. Beginning with Panama, everything will be new and interesting, and the material shortcomings lost sight of. When the East Coast is reached the contrast will be pleasant and informing.

Roughly, such a trip would require two weeks from New York to Lima, stopping over two or three days in Panama; one week in Peru; two weeks for the voyage to Valparaiso, a stay in Chile and the trip to Buenos Aires; two weeks for Argentina and Uruguay; three weeks for the voyage to Rio de Janeiro and a stay in Brazil; three weeks for the voyage to the United States. This aggregate of three months will enable the traveler to see little more than the business side of South America and its city life, for it must be confined chiefly to the seaports for lack of time. In each country, however, the route may include trips through the interior. In Peru, there will be a side trip to the Andean highlands, and something will be seen of Peruvian and Chilean port towns at which the steamer stops en route to Valparaiso. If Peruvian or Chilean coastwise steamers are taken for this voyage, so much the better. One should not be frightened by stories about the inferiority of these ships—that is largely competitive steamship propaganda, and they are really first-rate, and the traveler is in South America while on them. Something of Chile can be seen by taking a railroad trip south from Santiago to the central farming zone, and something of Argentina by crossing the Andes to Mendoza and thence to Buenos Aires by train, or taking the lake route through southern Chile to Bahía Blanca, and



from there to Buenos Aires. A week-end trip to an *estancia* in Buenos Aires Province gives an excellent idea of the pampas, and Argentina's sources of prosperity in livestock and grain farming. Uruguay is reached by night boat from Buenos Aires to Montevideo. This trip can be taken two or three days before one's steamer for Rio de Janeiro puts in at Montevideo. A day's motor or railroad ride through Uruguay will impart the character of that sturdy little country. Rio de Janeiro can be reached by train from Montevideo instead of boat, a trip somewhat longer and rougher, but taking one through a representative section of South America, with a stopover at São Paulo, the largest industrial and railroad center on the continent, a night's ride from Rio de Janeiro. There will be no opportunity to visit the Amazon country on such a short schedule but a side trip or two can be made to Brazilian coffee plantations, or *fazendas*. Two or three weeks lengthening of the schedule make it possible to visit northern ports like Bahia, Pernambuco and Ceará, winding up at the mouth of the Amazon, where steamers can be taken for New York. This involves roughing it in Brazilian coastwise ships, which are rated as only "tolerable."

## CHAPTER XVII

### WHAT YOU WILL NEED IN SOUTH AMERICA

Have you ever met a Legal Nobody?

The place to find him is South America, usually the hotels of the East Coast where Americans gather. He is almost infallibly an American, a salesman or business man, and pretty certain to be a good one. He speaks the language of the country, makes friends with the Latin Americans, who like him, and has goods that they want, and are ordering. His work in that particular country has been successful, and is finished, and he is anxious to go on to another field.

But he doesn't go.

Days pass into weeks, and sometimes months. He was scheduled to leave in September he tells you, but must now wait until October. October finds him waiting for November, and in November he hopes to get away by Christmas. His days are passed in watching the cable offices and the mails, and his nights in the company of Latin American friends who try to make him forget his troubles.

"If you were starting for South America again," you ask him, "what would you secure first?"

"A power of attorney!" he replies, emphatically. "A

power of attorney to do business, sign papers, make contracts, and even steal, if necessary!"

In the books dealing with South America you will find suggestions about what to take in the way of clothing, samples and letters of credit, and what to expect in the way of customs duties, license fees, and so on. The power of attorney may be mentioned in the list, but not emphasized. So, hardly one American in ten pays any attention to this item, and as a consequence South America has a large transient population of Yankees trying to do business without being able to prove their identity and authority.

The samples are shown, the terms arranged, the order has been taken, and the contract is ready to sign. The Latin American purchaser is in his own home town, his signature officially registered, his identity and responsibility legally established. The American salesman or executive is five thousand miles from home, doing business under a strange legal code, and must furnish court proof that he is what he claims to be.

"Under this contract, senhor," says the Rio de Janeiro attorney, "you act for the Consolidated Products Corporation, of New York. What is your connection with that corporation?"

"I am sales director for South America."

"You are able to prove this, of course."

"I have letters from our home office."

"But these are not proof under Brazilian law," says the attorney, after glancing them over. "Your identity is not established, though personally I do not question your truthfulness. Even if these letters proved your

connection with your company they do not empower you to enter into contracts for that company. No contract that you sign, senhor, would be binding upon your principals. That would be unfair to our friend here, your patron and my client. Every step must be legalized for his protection."

No American business man visiting the Latin republics, whether he be salesman, resident agent, buyer or whatnot, should be without a power of attorney, drawn up with broad scope and explicit detail.

This matter is so important that the American Chamber of Commerce for Brazil has published a pamphlet about it, prepared by Dr. Richard P. Momsen, an American attorney practicing in Rio de Janeiro.

To begin with, the power of attorney can be written in English instead of the Spanish or Portuguese that is often attempted in the United States. That makes it clear and comprehensive, because in the language of the attorney who draws it up, and it will be turned into Spanish or Portuguese on the Southern continent by official translators whose version alone is accepted in the courts. It must be certified by the consul of the country to be visited. Some authorities recommend for several countries a single power of attorney signed by a court of record in the United States, as well as the Secretary of State of the United States. Dr. Momen recommends separate powers of attorney for each country to be visited, simply certified by their consuls in the United States. The nearest consul will give this endorsement—it is not necessary to send to Washington.

Further suggestions by Dr. Momsen are based on Brazilian law, but can be taken as a guide for the Spanish-speaking countries:

A telegraphed power of attorney is not recognized in Brazilian courts. Powers must be detailed and broad, because Brazilian law interprets them in the narrowest terms. Among some thirty kinds of authority likely to be needed by an American doing business in Brazil are: Power to sell, give away, and by other means alienate property; to mortgage property; to admit and settle debts; give receipts and releases; draw and endorse and accept bills of exchange; transfer bonds of public debt; issue and endorse and guarantee promissory notes; appoint arbitrators and accept their decisions; name and appoint attorneys, representatives and substitutes, without which legal proceedings cannot be instituted in the Brazilian courts; organize corporations; vote at stockholders' meetings of corporations; make declarations under oath; accept or contest legacies; test the capacity of judges in court. Under certain circumstances a power of attorney should even cover the right to contract marriage or accept a public office.

In some circumstances transactions can be legalized by other documents. In Brazil, for example, the president of an American corporation, entering into contracts, might prove his identity and authority by a certified copy of the meeting of his corporation directors at which he was elected to office, backed by a certified extract from the by-laws indicating the scope of his authority as president. But the specially drawn power

of attorney meets every purpose better than such makeshift documents.

It seems an odd thing that Americans setting out for the Southern continent should find it difficult to get practical information about what to take with them for business facility and personal comfort. Yet many traveling on the Southern continent complain that the books and bureaus consulted for guidance in these matters were vague, sending them to Peru with raincoats, and Argentina without overcoats.

An American technical journalist, departing for the nitrate fields of Chile, was given a folding cane umbrella as a farewell gift. Showers are about thirty years apart in those regions. If there were rains, there would be no nitrate—it would all have been washed away long ago. A fascinated Chilean to whom he showed it one day in the plaza at Antofagasta offered him two hundred and fifty pesos for the curiosity.

A trip to the half dozen leading countries of South America calls for practically everything needed throughout the year in New York, from overcoats and furs to pongee suits and a straw hat. First there is a stretch of latitude running from the equator to Buenos Aires, thirty-five degrees south, corresponding to Charleston, S. C. Then the seasons are reversed, winter in June and summer in December. On top of that, two miles of altitude in the Andes. And finally, coal at twenty to fifty dollars a ton. A raincoat is not altogether a joke in Lima, where the people protest that it never rains, for the chill eternal fog of the Lima winter is as near rain as can be and much more penetrating and

depressing. In the damp, unheated rooms of Buenos Aires and Santiago during the winter one will need a steamer rug or two. For the tropics, no less than the fly-infested Argentine summer, a good mosquito netting to hang over one's bed will be necessary. Evening clothes are in constant use, but for men the tailless dinner coat is coming into popularity, replacing the formal swallowtail.

Clothes are expensive in South America, often of poor quality, and lack the color and snap of New York or Chicago. So the traveler will do well if he provides himself (or herself) with a wardrobe sufficient to last during the trip, taking ample supplies of linen, hosiery, cravats, undergarments, wash suits and the like. Women should stock up for a famine in hairpins, hair nets, ribbons, gloves, veils and like odds and ends, which are dear, as a rule, and of poor quality, if obtainable at all. Most persons have preferences in toilet articles. These are also expensive in South America, by reason of tariff duties and stamp taxes, and one's own particular brand or package may not be obtainable. So it is wisdom to lay in several months' supply of small articles. Where such things are intended for personal use, and entered as personal baggage, without intention to disguise merchandise as baggage, the South American customs regulations are liberal and inspection prompt and courteous.

Money comes next to clothes in importance. The letter of credit is the handiest way of carrying funds and has the additional advantage of being a letter of introduction to our branch banks, when it is an Ameri-

can letter, as it should be. American concerns have been doing business so long through the banking organizations of other countries that when a letter of credit or a foreign draft are wanted, they are ordered through usual bank machinery and are probably British. We not only have our own banks in South America now, but there are advantages in dealing through them. They are there to consolidate our South American trade, and help it grow. They need the support of American business houses. Being the newest branch banks in that part of the world, they work for business by rendering service and can perform many chores and render many courtesies that make the path of the traveler smoother.

The South American tour is not cheap. From twenty to thirty dollars a day is a fair estimate of the money that will be required for travel, living and other expenses, according to the countries visited, time spent in each, baggage carried, and so on. Money is changed every time one enters a new country, with a loss of one-half to one per cent, not counting fluctuations in exchange rates that may cause one's money to depreciate in one's pocket. Careful estimates of the amount likely to be needed in each country and conversion of the equivalent from dollars into milreis or pesos on one's letter of credit make for economy. The majority of Americans find South American exchange fluctuations as interesting as a horse race, watching them from day to day, and taking advantage of favorable quotations to buy local money with their letters of credit. Probably they make no more in the end than



the traveler who ignores the daily quotations, going to his bank on arrival, buying as much local money as he may need during his stay, and having it credited to a checking account. Our branch banks are courteous in extending this convenience, though it can hardly be profitable to them directly.

Most Latin American countries impose taxes on commercial travelers. One country taxes on a national basis, and a single license suffices for all its departments or provinces. Another will impose provincial and even municipal taxes. These fees are collected by customs officials in some cases, and again by local authorities. Furthermore, there are ways of avoiding them by legal means. The visiting salesman may be able to work on the staff of the local representative of his house, if it has connections already established. Or he may work as a demonstrator, showing and explaining goods, but taking no direct orders. Either the United States consul or bank men can give details in each country.

Samples of merchandise sometimes give considerable trouble, usually through lack of detailed knowledge of the regulations, which differ in the various countries. By trivial technical changes it is often possible to avoid duty on samples, and speed their clearance through the customs houses. Details for each country can be secured from its consul in the United States before departure. A better way is to put details into the hands of an American express company with Latin American connections. Instructions will be given for drawing up documents needed in the clearing of samples, and details attended to in each country by the express

company. Sometimes duty must be paid and the money is not returned, but it is possible to effect economies by refinements in valuation. Again samples are admitted duty free, but a bond given while they are in the country. If arrangements are made with an express company the latter furnishes the bond. In some cases samples are shipped by express—one instance that came to the writer's attention was the shipment of a sample automobile to Buenos Aires and its clearance through the customs house by the express company within twenty-four hours after arrival when it was carrying the automobile company's representative through the street.

There is a definite philosophy of samples in Latin America.

To begin with fundamentals, the Spaniard and Portuguese put the burden of taxes on commerce rather than land, buildings or income. Latin American countries have retained this system. Possession of goods is almost suspicious in itself. The tax collector is alert at once. They may be dutiable. He wants a bond guaranteeing that you will take them out of the country again. Maybe they can be kept in the country for only a limited period. You must produce documents describing your samples as though they were a shipment of goods to a customer—an invoice giving weights and measures in the metric system, with quantities and values. This invoice must be certified by consuls of the countries to be visited before you leave the United States. A power of attorney is not legally required, but is often impressive to customs officials when it sets forth the representative's appointment, his right to

carry samples, take orders and so on. If a sample is mutilated so as to destroy its value as merchandise, it will often be passed without duty or bond. So will photographic representation of goods. Considerable time was lost by an American salesman carrying samples of lace curtains and a heavy duty paid in a South American country because his curtains were whole, whereas a section showing pattern and quality would have been passed free.

Latin American customs officials are almost invariably courteous and prompt in clearing baggage and liberal in admitting one's personal effects. But for samples a different routine is followed. The traveler who endeavors to clear his own is like the man who acts as his own lawyer. The job should be turned over to a customs broker, or *despachante*. He will charge a fee for his service, but will earn it by saving time and often duty because he understands the job.

One article carried by the business man gives more trouble than any other—advertising and printed matter.

Yankee instinct is all toward fine printing, generally in colors. But some of the South American countries penalize printed matter according to its elaborateness. In Brazil, as an illustration, all printed matter should, under the tariff, be dutiable at about three and a half cents per pound regardless of the number of printings. But the customs officials have modified this schedule by special rulings, and the low rate is allowed only on printed matter in one color. Two-color printing is charged seventy cents a pound, and three-color printing one dollar and a quarter. Even a single initial or line

may lead to classification at the higher rate, and it is suggested that plain black and white be adhered to as a means of avoiding disputes.

Trunks should be well chosen, not only for stoutness and substantial fittings, but for transportation by mule if necessary. Along the West Coast, where every pound of freight and baggage, and sometimes passengers, is loaded over the ship's side into lighters, often in rough weather, they must come in for hard knocks. If the most essential samples and personal effects are compacted in three or four small trunks of the Army service type, these can be taken off the railroad by pack animal and larger baggage left behind. It is a shortcoming of even expensive American traveling equipment that thinly plated iron fittings and locks rapidly corrode on sea voyages and in the humidity of the tropics.

It is a great convenience to have trunks and sample cases marked not only plainly but vividly. Baggage checking is virtually unknown in South America. In the rush of sailing and disembarking, with scores of trunks being swung into ships' holds and lighters, often at night, the weary search for and collection of one's belongings is lightened when trunks are marked so that they may be distinguished wherever a side or end shows. Names and initials are not sufficient. The best identification is two broad bands of distinctive colors running clear around the trunk both ways. South Americans often use their national colors for this purpose—the blue and white of Argentina, green and yellow of Brazil, red, white and blue of Chile, and so on.

One useful piece of baggage is an "office trunk," an Army service box devoted to stationery, records, books and office equipment. High prices are asked in South America for writing paper, envelopes, carbon paper, clips, loose leaf blanks, account books, filing devices and the like. Very often these are of British or European manufacture, and, therefore, different in size and system. The business man will need printed stationery and records standard with those at home. Reasonable supplies should be carried—the explanation at customs houses that this is material needed in the owner's profession will pass it as baggage without duty if quantities are really reasonable. The office trunk should contain maps, cable codes, Spanish and Portuguese dictionaries and other tools of the kind. Some of the special reports of the Department of Commerce on Latin American business methods will be found very useful in the countries with which they deal. A certain number of books will be picked up in traveling—directories, guidebooks, statistical digests, maps and government bulletins purchased in the different countries.

Business cards and in some cases special stationery printed in Spanish or Portuguese will be found useful. For a short trip of investigation by an executive of an American business concern the regular card in English used at home will answer every purpose. But for the salesman, branch manager and others making an extended stay in Southern countries, or living there, the use of the language of the country is necessary. In many cases cards and stationery are printed in two

languages, either Spanish or Portuguese, with English translations of names and titles underneath.

One great convenience for the traveling American business man is a typewriter. At home, machines can be rented for use in one's hotel room. There are also hotel stenographers and one may accept the familiar invitation to the visitor, "If you have any writing to do, just make use of my office and secretary." In South America, however, offices are not so large or well equipped, public stenographers are seldom available, and typewriters can be rented only with difficulty and delay. A machine taken along will be found useful again and again. In most countries typewriters for personal use are admitted free, without formality, as baggage. Occasionally duty is imposed, as in Peru, where five to fifteen dollars is charged, according to condition and value of the machine. This money is not returned on leaving the country, but a typewriter can be stored at the customs house without charge and reclaimed when departing.

Finally, careful attention should be given to arrangements for forwarding and receiving mail and for the transaction of unavoidable business chores at home while the traveler is absent.

Most Americans set out lightly for South America, to be gone from three months to a year, under the impression that the world is pretty small nowadays, and that Rio de Janeiro is probably much like New York, and that cables and United States mail reach everywhere. With the desk telephone and telegraphic night letter we have attained a facility in communication

that deludes us when we go abroad. Uncle Sam's mail service to South America is slow and uncertain, with intervals of one to two months between the mailing and receipt of letters. Cables are expensive, at fifty cents to one dollar a word. In some ways the traveler is marooning himself—a sense of isolation is one of the business difficulties the Yankee complains about in South America. If he is traveling fast, mail may be weeks catching up with him, forwarded from point to point. A mistake in sending letters to him in Buenos Aires by the West Coast when the railroad over the Andes is blocked by snow will stretch the delay into months.

Before leaving home somebody should be authorized to receive his mail, open sealed communications with discretion and forward only such as require his personal attention. Sealed circulars forwarded simply by re-addressing will involve extra postage and fines—it may cost him ten or twenty cents to get a fat letter which proves to be nothing more than a charity appeal. Some of his mail can be answered by his representatives in the United States.

Our consuls maintain facilities for receiving mail, but are hampered by Uncle Sam's parsimony in paying decent wages to assistants and, therefore, their services in forwarding mail are not always to be depended upon. Better service is rendered by our branch banks in South America, travelers' mail and cable messages being handled by their commercial departments. The best service of all, of course, is where mail can be di-

rected to South American representatives of the traveler's house.

As an example of the need for leaving certain business matters in competent hands at home, take the complexities of the United States income tax. To deposit a bond coupon it is necessary to make out forms and sign them. Any error or omission in the form may make it impossible for one's bank to accept the deposit. A delay of several months may follow, with loss of interest and troublesome long-range correspondence.



## CHAPTER XVIII

### THE SOUTH AMERICAN FARMER

The purchasing power of the American farmer is so great and his standard of living and production of wealth so high, that he is one of the best customers of the American manufacturer and merchant. Production and selling plans must inevitably include him. Great business concerns have been built almost entirely upon his patronage—mail order houses, implement factories and the like. Comforts and even luxuries which were sold only to well-to-do city people a generation ago, as bathroom fittings, pianos, piano players, steam-heating apparatus and automobiles, are to-day regarded as necessities on the American farm. The dairy farmer nowadays invests as much money in a modern labor-saving barn as would have bought a farm two generations ago. He lights his home and does his work with electricity. The telephone equipment of American farms would come very near duplicating that of some countries in Europe. Anything which will enhance comfort, increase production, lighten labor or broaden life, finds in the American farmer an intelligent, interested, prospective customer.

This being so, the American business man naturally thinks of the farming population when he studies South

America with a view to extending his market there. He knows that all Latin America is agricultural at bottom. Eighty per cent of its people are soil dwellers, and, apart from minerals, chemicals and forest products, its exports come from the soil—cattle and hides, grain and coffee, fruit, vegetable fats, chocolate, sugar, spices, flavorings. An era of aggressive development is undoubtedly in sight on the Southern continent. Material progress the next ten or twenty years will astonish the world. Practically all of this development, however, will be agricultural, the opening up of new regions for settlement and farming by the building of railroads, highways and port outlets to take the farmers' products to world markets.

Think of the American farmer, and several characteristic types come to mind. One is the quarter-section general farmer of the Corn Belt with his big barns and huge draft horses, his gang plows and cultivators, his corn and clover, cattle and hogs, the spinning into town with his family Saturday afternoon in an automobile. Another is the dairy farmer with his model barn and milking machinery. Another, the breeder absorbed in his fine cattle, hogs, sheep and horses. There are specialists, like the fruit grower, the trucker, the producer of winter vegetables. Of course, not every Corn Belt farmer has his automobile, nor the dairyman his milking machine, and our farming decidedly runs to seed in mountain sections. But take the American farmer as a whole, and he earns more, lives better, and is on an intellectual level with the bourgeois of countries where the land is tilled by peasants.

Let the picture of the American farmer be what it may, you will hardly find his counterpart in South America. There are many splendid ranches and plantations in the more advanced countries, like Argentina, Brazil and Uruguay, and great landowners with modern methods adopted after personal visits to the United States and Europe. But these men, not farmers so much as manufacturers of soil products on a great scale, are the exceptions. The mass of soil dwellers live in the most primitive way, with hardly the necessities of life, much less comforts, luxuries or modern farming devices. They till the land as tenants, or live upon small holdings of their own more nearly like the original savages of the Southern continent than the industrious, enterprising peasants of Europe. Between themselves and the great landowners there is no such middle class as our farmers, just as there is no middle class in South American city life or politics.

Our country was settled by offering free land to immigrants. South America has brought in immigrants chiefly to work for the large landowners, who dominate its countries politically. Instead of obtaining land of his own, and working with his family to establish a home, the immigrant comes alone, farms a tract on lease several years, leaves it planted in alfalfa or coffee, and goes back home to marry. Colonies have been established—German, Swiss, Italian, Portuguese, Spanish, Japanese, all owning land, and prosperous. But these colonies are few. They represent almost the only specialty farming on the continent.

Hundreds of thousands of immigrants have gone to

East Coast countries the past generation from Spain, Portugal and Italy. But by far the greater number have returned to their own countries after a few years' work for wages, or a term as tenants under contract to the great landowners. Coming as single men, to accumulate the few thousand dollars that represent fortune in their own countries, they have gone back home to purchase land, marry and raise a family. The South American immigrant who stays is usually a city dweller who becomes a merchant. The small landowner is a native, in many cases an Indian or of mixed blood. He is the "Man with the Hoe" literally, whacking away at the soil with his one cumbersome farm implement, like that in Edwin Markham's poem, with which he plows, plants, cultivates and harvests his crop.

The lack of an agricultural middle class is shown in the absence of our wide diversity of food specialties. South American countries produce almost no clean milk, fresh butter, domestic cheese, fresh or dried fruits, all-year-round fresh vegetables or the other soil products which have become a matter of course with us. Their range of climate and soil make it possible to grow these specialties, but the knowledge, organization, transportation and marketing facilities are still to come. Thus, a region like Western and Northern Argentina, which virtually duplicates California and Florida, actually imports dried fruits from the United States, while fresh winter vegetables, instead of being within the reach of wage-earners in Buenos Aires, are luxuries obtainable only by the rich. With seasons exactly opposite to those of the Northern hemisphere, South America might en-

joy a large export business in fresh fruits, winter vegetables, eggs and dairy products, supplying the United States and Europe in months of scarcity and high prices. Actually, there is hardly any movement of these products from province to province in the same country, and only a slender trade between the different South American countries. As free land and cheap land have been unobtainable, so there has been none of the community and state organization which encourages settlement in the United States and provides channels to market for the farmers' products.

The American farmer largely shapes his own prosperity by public opinion. A reader and thinker, he knows what he wants, and gets it through organization or government assistance. Hundreds of millions of dollars have been spent for research on his behalf, and when crises arise in the shape of crop pests or livestock diseases, his intelligence assures teamwork with government agencies. Ability to govern himself in local matters is shown in his development of the community where he lives, materializing in schools, roads and like improvements. For lack of this public opinion in South America the country population lacks sanitation, educational facilities, highways and practically all the basic necessities of a healthy, prosperous countryside. Pests like foot and mouth diseases are accepted as incurable and inevitable. Fertile regions periodically stricken by drought or floods are farmed without effort toward remedies such as irrigation, the erection of silos or the introduction of drought-resisting crops. Costly programs for experimental stations and the teaching of

more scientific methods have repeatedly been launched by one government, only to be scrapped a year or two hence when the government changes, and public opinion is so little developed among South American farmers that they make no protest.

Politics does not concern the South American peasant. In some countries, particularly Argentina and Uruguay, voting is compulsory—fail to vote, and you are fined. It has been found impossible to enforce the law, but those countries are keenest about political issues, and the most advanced in agriculture. It costs about twenty dollars to vote in Brazil, and doesn't do much good anyway because the country, only thirty years a republic, and scattered all over creation, is not ready for broad self-government. In other countries voting is limited by illiteracy and indifference. Politics is left to the politician, and if one remembers that these countries, though all farmed at least a century before white men colonized our own continent, are still very young, it will be admitted that the politicians are steadily doing better for the people.

For the manufacturer there is a South American market among the great landowners of the more advanced countries. The coffee-grower of Brazil, the stock-raiser and grain-rancher of Argentina and Uruguay, the wool-producer of Southern Chile and Argentina, are almost invariably men of business ability, often with scientific agricultural training, and profiting by tours of observation in the United States and Europe. They appreciate modern agricultural devices, and are heavy purchasers of tools, fencing,

building materials, or anything which will make country life comfortable. Their purchases are really limited by lack of knowledge of many devices which we consider indispensable.

A Spaniard who had spent ten years in the United States as a merchant went to Argentina and invested his money in a large ranch. Part of the equipment of the American bungalow which he built as a residence was an American steam-heating plant. During the winter he lives in a Buenos Aires apartment, but makes frequent trips to his *estancia*. He told the writer that it was his rule to wire his superintendent three days before starting for the country, so the American steam-heating plant could be stoked up and the house made warm and cozy on American lines. He was thoroughly proud of this standard of comfort learned in the United States, and laughed at his Argentino neighbors, in their chilly Spanish-type houses, for not knowing how to live.

Another incident that came under the writer's notice in Argentina was the sale of steel huts made for war work with the American army in France. One of our large steel companies had a lot of these huts left on its hands at the armistice. A representative was sent to Buenos Aires to show them to the Argentinos. They had never seen anything of this kind before, and their convenience, durability and economy, coupled with the housing shortage and high cost of building materials, caused them to be eagerly snapped up for ranch use. Simply to show such a novelty was to sell it, and this

principle applies to many other farm devices and conveniences in the market at home.

As most of our sales of merchandise in South American cities have been made by large corporations with capital to establish branches and extend credit, so large corporations have been foremost in developing markets for products that appeal to ranch owners. Implement manufacturers were first to establish such branches, and by intensive work through resident representatives who know the countries and the people, have created profitable outlets for a wide range of apparatus. Automobile manufacturers come next, and wherever they have established permanent branches, in charge of capable managers, sales of automobiles are followed by sales of tractors, with a developing demand for motor trucks, and the good roads sentiment which is necessary before the latter can displace the slow ox-cart of Brazil, the Argentino freight wagon with its ten-foot mud-defying wheels, and the pack animals of the Andes. But smaller manufacturers, producing farm devices not so well known, have thus far made little headway, where they have made any effort at all.

Drought and aridity are the agricultural handicaps of a very large area on the Southern continent. Most of the region west of the Andes is practically rainless and requires irrigation for development. Half the region west of the Andes is either rainless or has so slight a rainfall that irrigation is likewise indispensable. The great cattle regions of Argentina, Uruguay and portions of Brazil suffer from periodical droughts, and such safeguards as the silo are almost unknown as yet.



The first silo erected in the São Paulo district of Brazil attracted so much attention that officials of the provincial government spent a day journeying to the ranch where it was located, conducting dedication ceremonies. If the movement, which during the past ten years has equipped so many farming sections of the United States with silos, could be extended to the Southern continent, actual sales at the outset might be small, but ultimately they would be large. Expenses for such a campaign might be prohibitive if undertaken by a single concern. As a side line for manufacturers of farm apparatus with South American branches, however, silos would ultimately develop demand, and against the American farmer whose needs are met by one or two silos, the average South American rancher would buy them by the dozen.

This holds true of many other farm appliances. One example that comes to mind is the need for a durable, economical wire fence designed to be pig-proof. On the largest hog ranch in Argentina the owners had read an advertising description of such a fence in American farm papers and imported it themselves. They were delighted with their pig-proof fence, the only one of its kind in the republic, and delighted with their own discovery of so valuable a Yankee labor-saving device.

Hundreds of similar articles, advertised in our own farm press, are unknown to the South American agriculturist. His farm journals are few, and not utilized for advertising to the same extent as our own. Sometimes he sees an excellent new device at an agricultural show, or discovers it in an export or agricultural publi-

cation from the United States or Europe. But this does not build anything approaching trade. As for the eighty-odd per cent of small landowners, the great majority do not read at all, and their present standard of living is so low that labor-saving devices, home contrivances and comforts have no appeal whatever. What is time, convenience or comfort to people living in a bamboo lattice shelter or 'dobe hut, with a few rags for clothing, a few boards and tins for cooking, and a little clearing in the wilderness where, growing all together, are yams, cocoanuts, corn, tobacco, cassava, bananas, cotton, oranges and grapefruit!

From the farming standpoint South American countries to-day are perhaps most interesting as outlets for our own farm products, due to their own agricultural backwardness, and to their concentration on a few big staples like meat, grain and coffee. We cannot sell frozen beef to Argentina, but we are selling her bulls and boars to improve her own meat exports, and dried fruit and canned goods. The market for our flour in Brazil is shrinking as that country increases its wheat crop, sets up flour mills, and also buys Argentine flour. But we can sell canned butter, condensed milk and cheese. Somewhere in the state of Bahia there is a single navel orange tree which is the great-great-grandparent of California's orange industry—it must be alive still, for they say an orange tree never dies. Yet every South American country pays tribute to our fruit growers, buying their clean, well-graded and skillfully packed products at what we would consider prohibitive prices—pears and grapes from California, apples from

Oregon and Washington. It is true that oranges are not yet imported, but they might well be in South America's summer, when the local product is scarcest, and would sell as luxuries if attractive in appearance and quality. Building trade for the American farmer on the Southern continent is largely a matter of American ships, running on regular schedules, with refrigeration service. When the American farmer realizes the value of ships, and backs them up, and backs the manufacturer and salesman in converting his raw products into attractive specialties for South American markets, then South Americans will be among his best customers.

## CHAPTER XIX

### WHO WAS WHO IN SOUTH AMERICA—PARAGRAPHS OF HISTORY

When Secretary Root visited South America, speaking in Montevideo, he grouped Washington, Bolívar and San Martín as liberators of the American hemisphere.

That hurt the Uruguayans a little. Had Mr. Root not heard of Artigas, the liberator of their country? Uruguay is only a little country, they confessed, about the size of Oklahoma—but it had had its Washington, nevertheless.

When the Argentino or the Chileno set out upon their first visit to the United States, they conscientiously study the outline of our national history, and know something about Washington, Lincoln, Franklin, Jefferson, the Declaration of Independence, and so forth. Perhaps they know much already, as lawyers, from the study of our constitution, or as historians and scholars. So it is humiliating to learn that even Americans visiting the Southern continent may not clearly know who San Martín or O'Higgins were, and that they confuse the fine story of South America's struggle for independence with "revolutions" generally.

The following brief notes on South America's history

and notable men will give an outline sketch, it is hoped, and perhaps lead to wider reading in works now available in English:

The desire for independence grew up in South America about the beginning of the nineteenth century. Our Revolution, and that of the French, bred patriots on the Southern continent. The Spanish colonies had many grievances. Legally, they were the property of the King of Spain, not the Spanish people. Commerce was heavily taxed, and trading with countries other than Spain prohibited. To plant grapes or olives, make wine or oil, or in any way compete with Spanish industries, was also prohibited. To prevent the sale of colonial products elsewhere than in Spanish markets, heavy export taxes were levied. For two hundred years, under the viceroys, colonial government had been a combination of monopoly, oppression, paternalism and favoritism.

Then a little group of patriot leaders sprang into activity, and in the dozen years from 1810 to 1822 set free every Spanish colony south of the Isthmus, leaving only Brazil and the three Guianas under European domination.

Most Americans have heard of Bolívar, probably because, born in Venezuela, he was nearest. Few have heard of San Martín, and still fewer of Miranda, Moreno, Belgrano, Artigas, Lavalleja, O'Higgins or Cochrane.

Two great revolutionary movements started in South America at the same time, one in the north and the

other in the south. Each had its outstanding soldier-patriots, Bolívar in the north and San Martín in the south. As to which was greatest, South Americans themselves have been in hot controversy more than a century, without arriving at a decision. Viewed in another way, Liberty had two cradles in South America, one in Venezuela and the other in Argentina. The influence of Venezuela was possibly the greatest because, besides the leadership of Bolívar, she furnished the southern cause men like Miranda, who, working in Argentina, was the grandfather of South American independence; Sucre, rated as the ablest military commander after San Martín, and Andres Bello, who was the teacher of Bolívar, and afterwards the intellectual and educational leader of Chile. But for every Venezuelan patriot, Argentina and Uruguay had a fit mate, and it was the coöperation of northern and southern leaders in the common cause that finally won independence.

*José de San Martín* was born in Argentina, in 1778, the son of a Spanish army captain, given a military education in Spain, fought for Spain against France, and in 1812 returned to Argentina, where the patriot army was fighting for freedom. This army lacked training and discipline, and was being defeated repeatedly by the Spanish royalist forces. San Martín started as lieutenant-colonel of cavalry, trained a squadron of mounted grenadiers, routed a royalist force, and quickly rose to the command of one of the patriot armies. Thus far the fighting had been chiefly defensive, in the northern provinces of the country.

On the plea of bad health, San Martín retired south to Mendoza, which is Argentina's Los Angeles. This was camouflage for the organization of an offensive expedition against the Spaniard in Chile, where before Argentina's forces had been defending themselves against invasion of the upper provinces from Peru. If the palm of leadership were awarded for the most outstanding and clean-cut achievement in South American independence, then San Martín deserves it for his passage of the Andes. It took two years to raise and equip his Army of the Andes, comprising only 4,000 or 5,000 Argentine *gauchos*, or cowboys. The Government at Buenos Aires had no funds, and women sold their jewels for San Martín. Everything had to be made in Mendoza—muskets, cannon, powder, trappings for man and horse. In this emergency there arose another fine figure, the priest Fray Luis Baltran, who was a born engineer and munitions maker. In passing, it is interesting to know that, as Spanish priests were the chief humanitarian influence in South America when the Indians were being exploited after the conquest, so they were often on the side of the patriots during the wars for independence. Padre Baltran tucked up his priestly frock and began equipping the army. He was a carpenter, an architect, a blacksmith, a watchmaker, an artilleryman, a chemist, a draftsman, a mathematician, a physicist, a ropemaker, a physician. He took down the church bells to cast cannon, made muskets and saddles, gun carriages and knapsacks, and with a piece of charcoal drew on the wall of his workshop contrivances for taking the artillery over the

Andes. San Martín's passage of the Andes has been compared to Napoleon's passage of the Alps. Napoleon crossed at an altitude of less than 8,000 feet, while San Martín reached nearly 13,000 feet, men and horses suffering from the terrible mountain sickness. His force was divided, crossing through several passes, and the Spaniards cleverly deceived as to where the real blow would fall. The start was made in January, 1817, and on February 12, that year, less than a month after the Army of the Andes left Mendoza, the Spanish forces had been practically destroyed. Mendoza to-day calls itself, with reason, "The Nest of the Argentino Eagle." The independence of Chile was proclaimed, but Peru remained a Spanish stronghold. Then San Martín organized a Navy with the help of Lord Cochrane, a British naval officer temporarily in disgrace at home. Lord Cochrane landed the Argentine and Chilean armies at Callao in 1820, the Spaniards withdrew from Lima, San Martín proclaimed the independence of Peru, and a little later Bolívar defeated the Spanish army, and Peru was set free from Spanish dominion. San Martín died in France in 1850, but his body lies in the Cathedral of Buenos Aires. He believed in independence, but not in Latin American republics, and as Latin American sentiment was overwhelmingly democratic he withdrew to Europe to end his days. His death and exile were typical of the factional disputes following South American liberation, more heated than our own in the first days of independence. Bolívar also died in banishment, Belgrano in obscurity, O'Higgins and Artigas in exile, Sucre by assassination.



*Simón de Bolívar* was born in Caracas, Venezuela, in 1783. His ancestors had lived in the country for nearly two centuries, being of North Spanish descent. This suggests an interesting fact—that while Spain's American colonies were conquered chiefly by cavaliers from the knightly southern provinces, five of the six liberators who won South American independence were descendants of hard-headed northern Spaniards. San Martín's ancestors came from León, Bolívar's from Viscaya, Miranda's from Asturias, Moreno's from Santandar, Artigas' from the Basque provinces, and Sucre was of Flemish descent. The two liberators of Mexico were also from Northern Spain—Iturbide from Valladolid and Hidalgo de Costilla from Viscaya. Bolívar probably had a tincture of Indian blood. Left an orphan, he grew up wild among the Venezuelan country people, and got his only schooling from two scholars—an eccentric philosopher, Simón Rodríguez, who taught him love of liberty along with the three R's, and the famous Andres Bello. At fourteen he was a soldier, at sixteen in Spain, and a worshiper of Napoleon. Meeting Rodríguez again in Europe, he took an oath to liberate South America from Spanish rule, and returning to his native land in 1813, where an uprising had already begun, took sides with the patriots and quickly rose to the command of their forces. Province after province was liberated in Venezuela by fighting that spared neither wounded nor prisoners on either side. Bolívar became dictator of his own country, and freed its neighbor, Colombia. There was still a Spanish army in the interior, falling back into Peru. Here

Bolívar and San Martín joined forces in 1823, defeated the royalists, liberated Peru and Bolivia, and established the latter as a separate country, of which Bolívar was made perpetual president. In 1827 he retired to Colombia, and while contemplating self-exile to the West Indies or Europe to escape the persecution of political enemies, died in that country of tuberculosis in 1830.

*José Artigas* was perhaps only a little liberator of a little country, and is sometimes treated as a mere footnote in summaries of South American history in our own language. But he freed Uruguay, and Uruguay is not a small country in spirit, and Artigas did the job with an impulsive dash that makes one think of him in connection with Bolívar, San Martín and O'Higgins. He was born in Montevideo in 1764, served as officer of Uruguayan Rough Riders in the Spanish forces, and was a true "caudillo" or guerilla. In 1811 the Spanish governor accused him of plundering. He raised his famous *Grito de Asencio*, or cry of freedom, and led his troops over into Buenos Aires. Returning with reënforcements of Argentinos as well as Uruguayans, he laid siege to Montevideo and for several years fought Spaniards, Brazilians and Argentinos, the latter because they wished to make Uruguay a province of Argentina, while Artigas had a clear vision of independence. In 1813 he practically declared Uruguayan independence, adopted the title "Protector of Free People," and captured Montevideo in 1814 with the aid of a naval force from Buenos Aires under the Irish Argentino Admiral Brown. Some

years later he was defeated by a combination of Brazilians and Argentinos. Discouraged, he retired to Paraguay, where he was received by the Dictator Francia, and lived there until his death in 1850. Uruguay's real independence was won from Brazil, and is memorable for another episode. In 1825 word came that the last vestiges of Spanish power had been broken in Peru, and the Argentinos naturally held a big celebration. This was so sorrowful an occasion for the Uruguayans in Buenos Aires, reminded of their own domination by the Brazilian empire, that a band of thirty-three patriots, the famous "*Treinta y Tres*," led by *Colonel Juan Antonio Lavalleja*, started for Uruguay with a tri-colored flag bearing the motto, "Liberty or Death." Picking up another handful of patriots they took a small town. General Fructuoso Rivera, one of Artigas' old lieutenants, being then in command of the Uruguayan army under the Brazilians, was sent against the invaders, but promptly joined them. Whereupon all Uruguay arose, an independent government was established and three years of fighting followed. Admiral Brown came back and defeated the Brazilian fleet, for the Argentine government became involved. Finally the Brazilians were defeated in the chief battle of this war on the plains of Ituzaingó, and in 1828 both Brazil and Argentina acknowledged Uruguay's independence.

*Bernardo O'Higgins* was the liberator of Chile. Born in that country, he was of Irish descent, his father, Ambrose O'Higgins, having emigrated from Erin to South America, fighting and working his way

up until he became viceroy of Peru under the Spanish colonial rule. Bernardo was educated in South America and Europe. He organized a band of soldiers when Chile began her struggle for independence, and soon won a reputation for bravery in battle, as well as wisdom in council. But he was eventually defeated, and retreated with a following of patriots to Mendoza, where San Martín was organizing his Army of the Andes. When that army marched into Chile through six different mountain passes, O'Higgins was in charge of the reserve force. After independence had been proclaimed he became Dictator of Chile, formed a Navy under the command of Admiral Cochrane, a Scotchman, afterwards a British Lord, and sent him north to liberate Peru. Four thousand Chilean and Argentino soldiers were transported in this expedition, and Cochrane and San Martín began operations which ultimately led to the liberation of Peru with Bolívar's help in 1824. O'Higgins was a strong-headed liberal. After independence, Chile was full of factions. Aristocrats opposed his liberality, and former revolutionists accused him of despotism. Calling his enemies together, he announced that he would resign his office as First Director of the Republic rather than be the cause of internal strife. Tearing off his official insignia, he said, "I am now nothing but a private citizen." He was urged to resume office by enemies as well as friends, but refused, and died in exile. A long period of factional politics, rising to civil war after O'Higgins' retirement, demonstrated the wisdom of his rule.

*Admiral Thomas Cochrane* was born in Scotland,

and became a British naval hero in the wars against Napoleon. Courageous and outspoken, he offended the corrupt British Admiralty, and after imprisonment went to help the Chileans. The country was free of Spanish rule when he arrived, but harassed by Spanish warships, with a Spanish stronghold at Valdivia. With two small vessels Cochrane sailed into Valdivia Bay, trusting to bad Spanish marksmanship to get through—which he did. Then he made a night attack on the forts, which the defenders considered impregnable, and in the morning they had been captured. After that, he proceeded to clean up the Spanish navy, with the same success. Cochrane was resourceful in war devices, among other things being one of the first to propose poison gas, using sulphur fumes and the wind to make hostile ships and forts untenable. His habit of doing the unexpected thing profoundly worried the Spaniards. He afterwards became Earl of Dundonald.

Two of the greatest Chileans deserve a word or two, although they were not concerned with its struggles for independence, being Araucanian Indians, and real natives of the country. Of all the wild Indians found in the Western world, the Araucanians of Chile were certainly the wildest—warlike, passionately devoted to their country, and unconquerable. “Men of iron with souls of tigers,” the Spaniards called them, and after death their warriors’ bodies were burned in the belief that the Araucanian warrior might thereby rise to the clouds and continue fighting dead Spaniards. These liberty-loving people produced two chiefs who ranked as first-class generals. *Caupolican* was first to oppose

the invaders after Santiago had been established by the Conquistador Valdivia. He was a mature strategist, who learned rapidly from the Spaniards in battle, discarding bows for pikes, adopting regimental organization, and capturing horses which were bred for cavalry. His story has been immortalized in the Chilean epic "*La Araucana*," by Alonso de Ercilla, a Spaniard who fought against him. *Lautaro* was an Araucanian military genius who outmaneuvered the Spaniards, fooled them with camouflage devices like dummy reserves of boys and women with poles, and finally conquered and killed Valdivia, falling in battle himself when only twenty-two. Although it took nearly three centuries of fighting to practically destroy the Araucanians, of no part of their national history are the Chileans more proud to-day. The single star on Chile's flag is the Araucanian national symbol.

*Francisco de Miranda* might be called "the Tom Paine of the South American revolution." Born in Venezuela in 1756, at sixteen he was fighting the Moors as a captain in the Spanish army. Our revolution found him in Cuba, as a Spanish officer, taking part in an attack upon the British dominions of Florida and the Bahama Islands. By 1783 he had become a revolutionary propagandist, roving the earth to get support for his plans to break Spanish rule in America. He knew Thomas Paine, Alexander Hamilton, and perhaps met Washington. The United States minister in London was an enthusiastic champion of his schemes. He worked upon the British, French and American governments, and penetrated even to Russia, where the

Great Catherine gave him a purse of gold. In 1806 he led an unsuccessful filibustering expedition against Venezuela from the United States. When his native country was finally freed from Spain, the patriots themselves threw him into prison as a traitor, handed him over to the Spanish authorities, and he died in prison in 1816. His life was in some ways the most romantic of the revolutionary period. To this day South American scholars disagree as to whether he was an exalted patriot or a paid spy. But he was a prince of filibusters, an unquenchable preacher of South American independence, and one of its founders.

*Mariano Moreno*, born in Buenos Aires in 1778, was the Thomas Jefferson of Argentine independence—its literary man. When the first steps toward freedom were taken by an assembly in Buenos Aires, he became editor of a newspaper that was founded as the official organ, and also founded the Argentine national library. He believed that the pen was as necessary as the sword, and that if the ideas behind the revolution were not put clearly before the people, the revolution would fail. In spreading the ideas he did priceless service. Sent to England on a diplomatic mission, Moreno died at sea in 1811.

*Manuel Belgrano* was another Argentine prominent in the revolution that set that country free. Born in 1770, he first distinguished himself as a soldier, leading an army of young men in the defense of Buenos Aires, and later a *gaucho* force in the northern provinces. Then the Spaniards defeated him, and he turned to politics and teaching. Under Moreno's far-reaching

scheme of education he became director of the national institute of mathematics. But his greatest service was in 1816, when a congress of representatives from the provinces fighting for liberty met at Tucumán. Belgrano is credited with the speech that led to Argentina's declaration of independence at that congress.

*Antonio José de Sucre*, born in 1795, a Venezuelan, was the youngest of all the liberators—so young that he grew up in the midst of revolutionary fighting, and was an engineer officer at sixteen. His nature was so fine and his ability so great that Bolívar, his chief, said that if God gave men the right to select members of their own family, he would select Sucre for a son. He was commander in chief at the decisive battles of Junín and Ayacucho, which won Peru, the last Spanish stronghold. Upper Peru was then formed into the separate republic of Bolivia, named after Bolívar, with its capital city bearing the name of Sucre. The latter was made first president of Bolivia, but soon retired to Colombia, weary of the political squabbling that followed liberation. He was assassinated in 1830, mysteriously, probably for political motives.

*José Rodríguez de Francia* is best known as Dr. Francia, the tyrannous dictator of Paraguay, but he was among the liberators, nevertheless, and may be regarded as a liberator who afterwards went wrong. Born about 1761, he was fifty years old when a provisional government in Paraguay decided to "suspend recognition" of Spain. Policy toward Spain was then discussed. It is said that Francia laid two loaded pistols on the table, declaring those were his arguments



against Spain. He called a congress, put through a plan of government, declared Paraguay independent, and then became its dictator for life. His ability and cruelty made him one of the outstanding figures in South American history. He died in 1840.

During all the stirring times when Spanish America was winning independence, Brazil went on placidly as a Portuguese colony. There was apparently no revolt in its temperament. Yet in reality the stage was being set even then for the bloodless revolution of 1889, when the empire was turned into a republic by the signing of a paper or two, and old *Dom Pedro II*, the Emperor who was so friendly to the United States, went into exile.

Napoleon really started Brazil toward independence, indirectly. Portugal was friendly to England in the Napoleonic wars. The French invaded that country. *Dom João*, King of Portugal, took refuge in Brazil in 1808, setting up his court at Rio de Janeiro, where he stayed thirteen years. At a distance, the Portuguese King had compelled the Brazilians to trade with the mother country alone, excluded foreigners and prohibited printing presses and newspapers. On the spot, he acquired such a love for Brazil that ships of all friendly countries were admitted to her ports, a newspaper started, foreign merchants and capital invited.

When *Dom João VI* sailed home in 1821 he left his son in Brazil—*Dom Pedro I*. The Portuguese legislature wanted to put the commercial blinders on the colony again, and *Dom Pedro* was ordered home. But his partiality for Brazil was so strong that he disobeyed,

declared Brazilian independence in 1822, was proclaimed Emperor, and ruled for nine years. Then he abdicated in favor of Dom Pedro II, five years old.

After attaining manhood, this ruler, afterwards the "old Emperor" of our time, ran the country imperially, and like a scholar and a gentleman. He was the greatest Brazilian, and a great man. He built railroads and cities, developed coffee and rubber, invited settlers and capital. In 1854, he forbade the bringing of more slaves into the country, but it was not until 1888, while he was sick, that his daughter, Princess Isabel, as Regent, under compulsion, signed a decree abolishing slavery.

This decree kicked up a fine row. Negroes left the fields and flocked to the cities, and planters began agitating against the empire. Dom Pedro was old, and had no son, and his daughter's husband was a Frenchman, so there were fears of European aggression. A republic was proclaimed, and the old Emperor notified that he must leave Brazil within twenty-four hours. He went with his family to Portugal, leaving Brazil his last blessing, and the republic dates from November 15, 1889.

In the beginning there were really three separate Brazils. Pizarro led the Spanish into South America through Peru, where they were so busy gathering Inca gold and Colombian emeralds that the eastern half of the continent, without a civilization to loot, was overlooked. A Spaniard found the country first—Pinzón, one of Columbus' companions, in 1500—but his discovery aroused no interest in Spain. Three months

later, Captain Pedro Cabral, with a Portuguese fleet, sailed into a Bahia harbor, and Portugal claimed the country and began colonizing it. First settlements were made in the north around Bahia and Peruambuco, and in the south around Rio de Janeiro and São Paulo. Sugar was cultivated in the north with African slaves, and general crops in the south with Indians. Then the French tried to establish themselves at Rio de Janeiro, and the Portuguese expelled them, found mineral wealth in what is now the state of Minas Geraes (which means "general mines"), and so three distinct Brazils came into being. The north grew rich on sugar, developed thinkers and writers, and also warriors who resisted attempts of the Dutch and English to seize their country. Within sixty years after the first settlement the men who defeated the French proudly proclaimed themselves Brazilians, not Portuguese, the first bubbling up of Brazilian nationality. In the south the discovery of gold developed the hardy Paulistas, who explored the hills, fought the Indians, and developed the country. They also developed a literature and a national feeling. Rio de Janeiro turned to mining, and likewise called itself Brazilian. From time to time in early Colonial days there were guerilla wars between different sections and classes, and repeated plots and revolts for independence. Each of these little wars was fought "for Brazil," but that meant the particular locality fought about, not all Brazil. It took a couple of centuries of jogging around a country so big to even begin to see it whole. Some of the Colonial characters are worth knowing because they reflect the character

of Brazil, and bring the country closer to us humanly.

"Pocahontas" is the first historical figure in Brazil, appearing, not once, but repeatedly, for the Portuguese married the daughters of Indian chiefs. Both Bahia and São Paulo were founded by men who took Indian wives, and one Indian named Tebyriçá has left a most pleasant memory in Brazilian history because he aided the settlers against hostile tribes. His daughter married a Portuguese, and their many children, the first *mamelucos*, founded a mixed race which is credited with winning for Brazil the states of Minas Geraes, Goyaz and Matto Grosso, one third Brazil's territory. The chief street in São Paulo still follows a line of Indian cabins built by Tebyriçá to guard the settlement against hostile Indians.

*Lorrenco de Albuquerque Maranhão* was Brazil's first general. Born in 1548, the son of an Indian woman and a Portuguese, his grandfather was a famous Indian named Arco-Verde. Growing up in an Indian village but learning to read and write Portuguese, he was fighting hostile tribes when only eighteen. His descendants to-day form one of the largest and most important families in north Brazilian territory that he conquered. The King of Portugal made him a nobleman and captain of the colony, but he was prouder of being Arco-Verde's grandson. In 1614, he found the French invading Maranhão, and with greatly inferior forces defeated them and their Indian allies, expelling them from the country.

*André Vidal de Negreiros* was another Brazilian general, responsible for expelling the Dutch invaders.

He was a white man, born in Brazil about 1600, and in defeating the Dutch had two captains, Camarão, an Indian, and Henrique Dias, a negro. Portugal did not want the Dutch disturbed, and had an agreement for their occupation of Pernambuco. Negreiros had helped found Bahia. He went to Pernambuco in 1645, organized an insurrection, headed an insurgent army, and after nine years of constant fighting, in which he won many battles with inferior forces, finally drove the Dutch from their last stronghold, and out of Brazil.

*Bartholomen de Gusmão*, the "Flying Priest," rouses Brazilian pride because he is credited with the invention of the balloon before the Montgolfier brothers. Born in Santos, Brazil, in 1685, he went to Portugal and was educated for the priesthood, becoming chaplain of the King in Lisbon. Investigating physics, he believed it possible to "fly like the birds." Dom João V, liking the idea, provided money for Gusmão's first flying machine. On August 5, 1709, he made his first and only demonstration, rising from the ground to the second story of the palace and descending again smoothly. Superstition credited this invention to the devil, and Father Gusmão eventually died miserably in Spain.

*O Tiradentes*, or the "tooth puller," was the nickname of Joaquim José da Silva Xavier, a clever, good-hearted fellow of no definite trade. Born in 1748, in the State of Minas, he became a militia officer, a peddler and a prospector, finally turning tooth puller. Minas was a very prosperous state until its mines gave out, when Portuguese taxation stimulated a plot to

make it an independent republic, in 1790. The plotters were good politicians, but afraid of leadership. Tiradentes was popular, and a ready talker. He was made leader, and quickly arrested through his guilelessness, and when tried took full responsibility, maintaining strict secrecy concerning his companions. The Brazilians love the memory of Tiradentes because, through his sublime self-sacrifice during his trial, he alone was hung, and the real conspirators went unpunished. He was representative of the many revolutions in Brazil during colonial days which have been ignored in the histories by Portuguese writers.

*Fernando Dias Leme* lives in Brazilian history as the "Emerald Chaser." Having found gold, the Portuguese expected that their colony would also yield emeralds, like the Spanish colonies. Leme headed an expedition to find an emerald mine shown on a map left by a dead prospector, starting out when he was eighty years old. He actually found some green stones, which were tourmalines, not emeralds, and dying in the wilderness, left these to his son in all faith that he had found the desired gems. One good story told about him is that, seeing Indians wearing gold ornaments, he asked where they got the metal, and when they refused to tell, poured out a dish of rum, set fire to it, and threatened, "If you don't tell me where you get gold I'll burn all the rivers." Leme's real service to Brazil was as an explorer, for in his search for emeralds he discovered and opened up immense territory. He died in 1672.

## CHAPTER XX

### THE CANAL ZONE—A SAMPLE OF US

Name—Huggins. Species—British. Variety—Quiet, very quiet, the kind to whose statements you add the discount.

The last job they gave him as an engineer in the construction force was leveling a tropical forest near Gatun locks, where ships would need a mooring ground after the water was turned in. It would have taken months to chop the trees down, so Huggins blew them up with dynamite. He blew them up in blocks, a glorious Fourth-of-July business. Then he went away, and war came, and five years' soldiering and roving passed before he found himself going through the finished Canal on a British liner.

Huggins had resolved to say nothing about his previous acquaintance with the Canal—didn't think that would be particularly interesting to other people.

But they were lifted silently through the Atlantic locks, enormous and complete, even to an engineer. They steamed out onto Gatun Lake, a giant ocean vessel crossing a continental divide through a Louisiana bayou, in effect, for the dead trees stretched away for miles on either side. Over in a pasture rose something white—it was a Canal lighthouse. Huggins

saw his mooring ground, under water. Here he had had a steam shovel job. There he had relocated a section of the railroad, and over yonder razed a village. Everything had changed magically, the old things so utterly gone, and the new things of such magnitude. Huggins began to talk about it.

"And—my word!" he confessed afterwards, "do you know that presently, without realizing, I was inflicting on those good, helpless people a comprehensive lecture on the Panama Canal!"

While the dirt flew, the Canal was very much in the American imagination.

Then came the time when we said, "Well, it's done, ain't it—what next?" And the next was war, in which the Canal dropped out of sight. Taking advantage of forgetfulness, Nature transformed it with tropical jungle.

Toward the end a Washington inspection party rode through with General Goethals. They came to a gap between high hills clothed in verdure that looked as though it might have been there since Balboa and Pizzaro.

"General, you were fortunate in having this natural opening here," said a Congressman.

"Well—yes," was the reply, "but this is Culebra cut, you know!"

If you dropped down to the Canal Zone for a winter vacation, leaving New York or Chicago snowbound, it may not strike you as being so very unusual. It is so much like home that some Americans complain of the sameness. Where is the color of Latin America? They



find the palms, cocoanuts and bananas most interesting, because different.

But if you come up the other way, after eight months in South American countries, you will see it in a different aspect. Latin American color! You will have it in the shape of flea bites from Lima, and maybe a touch of malaria from that last night in Callao, and memories of the dust of Chile, the flies of Argentina, and the abounding insect life of Brazil. For more than half a year you have been ordering queer dishes in queer hotels with your first primer Spanish, and you want a letter of introduction to a genuine steak. You will see the Canal Zone with double vision—that of the Yankee viewing his own civilization with a fresh eye, and also viewing it approximately through the eye of the Latin American.

Read into these impressions no suggestion that Latin American ways or views are inferior to our own. They are simply different, due to differences in temperament and conditions. What we want to grasp is the effect upon the Latin American of that sample of US which is the Canal Zone.

It is astonishingly representative, as a sample—a ten-mile strip of, say the Middle West, picked up by a jinni and set down where the Latin American can see it, like a permanent exposition. He goes through it on his way to Nueva York and Europa. Always frank in his admiration of our energy, and material comfort, and our big way of doing things, he has said, "Yes, but in your temperate climate such achievements are

possible." Now he finds the trick done right in the tropics, less than ten degrees from the equator.

It is not only the Canal itself. That is big and impressive in its engineering and operation. As the Latin American rides through, and sees his ten-thousand-ton liner lifted up and sucked down by the locks like a toy boat, you can feel the mental change taking place inside him. Being supersensitive to impressions, it is a transformation bordering on the spiritual. But Hog Island would hit him just as hard, or New York subways, or the Chicago stockyards, or Massachusetts motor roads.

The real sample of us is the Zone, because there is the national spirit that built the Canal.

The latter is finished, but the Zone goes on.

The Canal is machinery, but the Zone is human.

Coming up from the south, you watch your Latin American friend to see what he thinks about it all. He has been quick to ask what you think about his country. Now you want to see what he has to say about this sample of yours. Fair enough!

For half a year you have been jiggling around his republics on narrow gauge railroads of the European type—British, French and German locomotives, skimpy passenger carriages, little goods wagons of motor truck capacity, and all the rest of it. He has given monopolies and borrowed millions to get these roads. The only trans-continental line in South America has three different gauges and involves two changes of cars in the forty-hour run from Buenos Aires to Valparaiso. Trains stop at sketchy stations and wait

five, ten, fifteen minutes while conductor and station agent chat. When all the courtesies have been observed the conductor blows a police whistle, the station agent strikes a bell, Ding! the conductor shouts Vamos! (go) and you are off again at the reckless speed of fifteen miles an hour. On main routes, with a dining-car that is a lounge and bar as well, you can be comfortable. On other routes you had better take your own provisions. And after that it is a case of traveling by horse or mule. The Latin American lives on a continent much like our own West after the Civil War. He is working to develop it, but this is as far as he has got.

When the steamer ties up at Cristobal you take the railroad back to the Pacific side to see the Canal from another angle. The train is a real American train, the cars standard American passenger coaches, the conductor a democrat from the Corn Belt. By its velocity, weight and mass you feel that it is an American train the moment you shoot out of the station. Everybody talks American except the negro section hands, who talk Jamaican and Barbadian, which are like English if they don't talk too fast. Big American freight cars stand on the siding. Six of them would haul the average South American trainload of freight out of a coffee or cattle region, where freight rates are so high, on the European philosophy of traffic, that only the most valuable commodities can be shipped. You land in Panama City, fifty miles, in an hour and three quarters.

At home, your Latin American friend lives in a fine old Spanish mansion, built around a patio, or inner

courtyard. Spanish architecture has not only the merit of beauty, but the older it gets, and the more you knock it to pieces, the better it looks. Even in the *conventillos*, or tenements, the patio is gay with flowers. But it is a style of architecture not suited to those countries, too chilly in temperate climes, too massive in the tropics, too easily shaken down in earthquake areas. So the Latin American is now copying our cottages and bungalows from our magazines. In the Zone he sees the Yankee engineer's idea of a tropical house. Frame construction on pillars eight feet above the ground to let cooling air beneath and keep out pests. The patio of old Spain is there, but turned into broad verandahs and run around the outside, with shrubbery to give the privacy for which the patio is valued.

Outside of the cities there is hardly 500 miles of good road in all South America. Your friend steps into a taxi, and in a moment is skimming over macadam and cement blanketed with asphalt, so smooth that he could play billiards on it if level.

Probably the hotel problem at home has never bothered him, because he lives between his residence and his clubs. But it is a problem to the visitor, the single ramshackle hostelry in the average South American capital, without private baths, water that may be warm but never hot, a monotonous sameness of meals—all at New York prices plus. Apart from Buenos Aires, there is no restaurant life. Just one new hotel has been built in South America the past five years. The best hotel on the continent is a government enterprise of the littlest country—the Parque at Montevideo.

Uncle Sam's two hotels in the Zone would be classed as summer resorts at home, but the hot water is really hot, the menu adds tropical specialties to American variety, and there is hotel life. The latter appeals to the Latin American at once. He finds the meals, dancing and pretty girls very much to his taste—a foreglimpse of what he has been told to expect in Nueva York. His wife and daughters walk out of the cage of convention. They are on hand early every evening, and stay till late, and each night wear different Parisian toilets to show their appreciation of this new atmosphere.

There is comfort. Wait until his Señora comes back from New York, and hear her appreciation of our compact apartment, which eliminates servants, and steam heat, and oceans of hot water day or night, and abundant ice, and elevators, and vacuum cleaners, and electrical devices, and all the other things that you probably take for granted. The very fly screens in the Zone are wonderful to her—a single village of employees' tenements has more fly screen than you will find in all of South America. And there is sanitation, with a standard of health in a former tropical plague spot that has set Latin America cleaning up its high disease and death rate on Canal Zone lines, under Canal Zone experts.

Five minutes' walk beyond the line into Panama City shows what the Yankee idea can accomplish in a typical Latin American town. The picturesque Spanish architecture has not been disturbed, but pure water, sewers, pavements and the filling of surrounding

swamps have eliminated yellow fever and malaria, along with mosquitoes—even flies are scarce. Ten-cent taxicabs whirl you through streets that were formerly fit only for mule carts. It is said that before the coming of the Americans there were only half a dozen private carriages in the town. From the standpoint of Old Panama, Huggins said, riding in a motor through its narrow streets seemed as wonderful to him as air-planing in the Rockies.

The Zone itself is one big American suburb.

The Canal pilot dropping off a New Zealand warship at his home town of Gatun, at five o'clock, remembers to stop and get some butter at the commissary, and the children are out watching for Dad. His neighbor, Smith, of Locks Operation, anxiously asks when he can get one of those folding baby carriages, and is told that they are "on requisition." The commissary might have been brought from Harlem or Englewood on a magic carpet, a wonderland of shiny devices for the sanitary keeping and selling of food, in such contrast to the dingy shops and dirty public markets of the Southern continent. The five o'clock train pulls in and lets off half a coachload of miscellaneous Daddies from Cristobal, who are welcomed by waiting wives and kiddies. Other miscellaneous Daddies get aboard for Ancon and way stations. "Commuting from the Atlantic to the Pacific," as it is put tersely by an engineer who does it six days a week.

When the Spaniards wanted a name they took one out of the Saint's calendar. "Pedro Miguel" is an old place name in the Zone—short for Saint Peter Michael.

It has stuck to a lock and a dam. But Saint Peter Michael would hardly recognize himself nowadays, because Zone people refer to him familiarly as "Peter Magill," and this is merely one of the outstanding Corn Belt liberties taken with the beautiful language of Cervantes.

In Panama City practically everybody speaks English, having caught it from the Yankees. The latter know just about enough Spanish to get into a tangle with a taxi driver. In Porto Rico, one of our dependencies, we have been insistent about teaching English to the children in the schools. That has been an irritation, skillfully utilized by agitators, and English is seldom heard among the Porto Ricans. But in Panama, where there has been no compulsion, the people have learned our language voluntarily.

In many ways the Zone is more American than New York, which has always stood for our country with the Latin American, who sticks there closely during his visits, and comes away with impressions of cabarets, show girls and night life. In New York he sees our provinces at play. But in the Canal Zone he sees them at work. Two things we have done in recent years to set him thinking about us in a more kindly way. One was digging the Canal, and the other our participation in the war. The war is over, but in the Canal Zone he feels the spirit and sees the big-scale methods that won the war—unless everybody won it.

"Do they really like us in Latin America?" we are constantly asking ourselves.

It all depends. The Latin American who has visited

the United States likes us because he knows something about us. If he has been educated in our schools or colleges (and more young folks are coming to them every year from the Southern Republics) he may like us so much that he stays in the United States. It is one of the sorrows of the Latin American family that, having sent young Juan to school or business in our country, he never comes back, or doesn't stay, because the energy and bigness of our life attract him.

But not one Latin American in ten thousand has ever been to the United States, and perhaps only one in a hundred has heard much about us. It is good Latin American politics to picture us as the "Yankee peril." So the Latin American who has never been away from home may admire our energy and cleverness, yet at the same time fear us as possible aggressors.

In our hearts we know, of course, that there is no desire for conquest. We are the friends of all other republics. Haven't we undertaken to protect our neighbors by the Monroe Doctrine? And haven't we worked for Pan-Americanism? We are idealists, internationally, not Huns—big brothers to the weaker nations.

Which all runs trippingly in Sunday supplement or movie captions, as we say it to ourselves. The trouble is, however, that we are alone in saying it! Nobody else says it. The Latin American is not keen about the Monroe Doctrine—he feels capable of protecting himself. Pan-Americanism may appeal to him, but still seems a long way in the future, and he may have something entirely different in mind, such as a strong alliance between the A B C countries and Europe.



During the past generation we have freed Cuba, insisted on the open door in China, gone into the world war without selfish motives, and behaved ourselves like good little international boys in other ways. Presumably, the Latin American has watched all this, with applause. Maybe! But he has also been watching us pick up odd lots of territory—the Philippines, Porto Rico, Hawaii, the Virgin Islands, the Canal Zone itself, and our cash register interference with little countries like Hayti and Santo Domingo. Not the Latin American alone, either. For at this writing people in the British West Indies are all astir over our Congressional proposals to ask John Bull if he will sell the Bermudas, and the French West Indians are agog over rumors that we may get Martinique and Guadeloupe in exchange for France's debt to us. If you want to know how the islanders feel in this matter, just imagine a Member of Parliament moving that Downing Street ask Uncle Sam if he is willing to sell your State, and how much he will take for it!

These are the factors the Latin American has to take into his reckoning before he begins to like us, and probably he decides that he will stop with admiration.

As an average American of your generation, you feel innocent of ambitions for conquest, from Canada to the little Brazilian island of Fernando de Norona—a dandy cable anchorage.

But will you give bond that in the next two or three generations some new spirit may not arise, or a domineering autocrat set out for conquest with a high hand?

Remember what happened to the harmless, idealistic, philosophic German of two generations ago!

"Do they like us?" we ask wistfully, and forget that the Latins know little about us, due to our own neglect.

During the war our government publicity organization took pains to cable truthful American news to the press in some of the Southern republics. The newspapers got it free, and enemy propaganda was discounted, and in a little while the Latin Americans were saying, "Why, I didn't know the Yankees were doing this and that!"

But our publicity centered on the countries that might be swung to the Allies' cause, and other countries which didn't seem diplomatically important were ignored.

Just about the time this news was producing results in the major Latin American republics an American engineer dropped into Bogotá. This is the capital of Colombia, the South American republic nearest the Canal. But it is more than a week's journey from the seacoast, and could not be expected to have forgotten the revolution, inspired or spontaneous, through which it lost Panama and we got our Canal concession. Our free war news was going right by Colombia, and the Bogotá newspapers were filled with enemy propaganda.

The Colombians began chaffing the engineer.

"You Yankees won't fight!" they assured him. "You may lend the Allies some money, so they can buy more munitions from you at a big profit, but you're not fighters. Anyway, you couldn't land troops in France. Yankee bluff!"

With other arguments of the same sort, all neatly canned for them in Berlin, with not a line of information about ourselves.

"Would you like to read a cablegram I got from Washington just before leaving Panama?" asked the American. "It came in connection with our third Liberty Loan."

He produced the message, which stated that we had 1,500,000 soldiers in France, that they were holding their own front, that we had raised \$7,000,000,000 in two loans, and were raising \$4,000,000,000 more, that we were sending food to the Allies, building ships, and similar war facts.

The Colombians were astonished. They admitted that they had heard nothing of all this, and saw how propaganda had been feeding them up with the other side. How could they believe in us, much less like us, under the circumstances?

Go to Bogotá to-day, and you will find a new spirit. The Colombians know what we did in the war. They have been down to see the Canal. Catching the contagion of example, they are no longer content to live in isolation, but propose to connect their capital with the seacoast and the world by railroad, and also airplane service. We owe them some money for compensation. There is strong sentiment toward letting the Yankees build the railroad on Panama Canal standards.

The Republic of Panama has caught the contagion, too. With less than 400,000 people in an area of nearly 30,000 square miles, a good climate and two-

thirds of its area in public lands for sale to settlers, its chief handicap in development is lack of transportation. Panama has only one railroad, thirty-two miles long—the Panama Railroad following the Canal belongs to Uncle Sam. But it has a wonderful stretch of seacoast both sides, and modern trunk highways through the fertile coast plateaus. It would be easy, with lateral roads, to send soil products to market by water. A system of highways has now been planned to open up territory north of Panama City, along the Pacific coast—250 miles of cement asphalt-carpeted road, with 100 miles of lateral feeders, a \$10,000,000 job which would give motor truck transportation to a new farming area large enough to feed the republic (which now imports much of its food) and the Zone population, and yield additional products for export.

Panama's interest in roads is keen just now because she finds herself with more than 1,000,000,000 Balboas in the treasury, equal to \$1,000,000, an unexpected windfall. It never happened before in her short history, and is due to Zone influence, along with her own good sense.

The finances of the republic were being handled on a system that involved duplication in the collecting and spending of money. These methods were loose and costly, and each year showed a deficit. In 1918 the Panamanian Congress authorized the President to appoint a fiscal agent, stipulating that one be secured from the United States. Uncle Sam took a discreet young fiscal agent off the job in Hayti and sent him to the Panamanians. What he has actually done he will

not say, because his position is advisory, and nothing more. But by systematization, and the use of the cash register, he has been able to show the Panamanians how to roll up a million-dollar surplus in a little more than one year, and now the latter want to invest the money in a solid road scheme for the further good of their country.

Up and down the coast the republics are responding to the Canal's influence, and planning on Zone lines. Ecuador is finally cleaning up Guayaquil, long the deadliest plague spot in South America, with supervision from the Canal sanitary organization. Peru is planning to open up her rich Amazon hinterland, linking it by transportations to the Canal. Chile is planning to extend her railroad system for long-haul traffic, and link it to an enlarged merchant marine—it is usually news to most Americans that much of the freight and passenger traffic along the West Coast is carried by Chilean and Peruvian ships, both countries fostering their merchant marine. The Central American republics plan new developments in their western provinces, hitherto under market handicaps. And even countries on the East Coast of the Southern continent are alert to possibilities for shipping the products of their western regions through the Canal.

To grow more wool and beef, coffee and cocoanuts; to mine more copper and nitrate; to build more railroads, and better, and supplement them with motor truck highways; to increase output, and trade, and utilize the new opportunities created for them by the Canal—this is the immediate task. Latin America is

alive to it. Every Latin American who passes through the Canal Zone goes back home enthusiastic about doing things in the big-scale way.

But there is something more in the Zone for the Southern countries.

General Gorgas once said that if he were sent to clean up an old plague spot, and had to choose a single sanitary measure among all the others, he would select that of doubling wages. For experience had taught him that poverty is the greatest single cause of bad sanitation. Double wages, and people do many things for themselves.

Latin America has a good many shortcomings that could probably be eliminated by doubling wages. Outside of the largest cities, the sanitation and health standards are very low. Education is free in most of the countries—constitutionally. But there are few schools and much illiteracy. The ballot is restricted in most of the countries, with government by cliques on the old Spanish plan. With millions of acres of land, and an ardently expressed desire for settlers, most of the Southern republics grow in population hardly at all, because land is held in large estates, with land-owners dominant in government. Living conditions, like earning capacity, are on a low scale, and mortality high.

These things are not so much a fault as an inheritance. Held back two centuries by Spain and Portugal, Latin America got a late start in self-government. Its governments are still full of indirections, such as heavy tariff duties and negligible land taxes, the build-

ing up of top-heavy manufacturing industries to the neglect of agricultural development, the borrowing of foreign capital for railroads and public improvements instead of home thrift and investment, and so on.

To the Yankee visitor it seems as though Latin America needs, first of all, higher earning capacity and a big-scale scheme of development. It has been tinkering along several generations on the European scheme, adapted to small, crowded countries. Latin America being continental, has not got very far with provincial methods. Our scheme is truly continental. We know that if you want enough of anything when you are developing a continent, you must plan for too much.

In the Canal and the Zone we have displayed our samples, handy for Latin American inspection. Latin America is becoming more and more interested. It will look more and more to us for suggestions and help not because we are idealistic, or altruistic, or beautiful, but simply because we have the experience and the goods. It wants the things for which it admires us. Liking us is something that needs better acquaintance on both sides.

THE END





## INDEX

- A B C countries, 27, 278
- Advertising, 113-126, 233
  - agencies, absence of and substitutes for, 123
  - American backwardness in South America, 113-116
  - American methods needed on Southern Continent, 9
  - American methods part of American industry, 120
  - appeals, 124, 125
  - copy, suggestions for, 121
  - duties on, 233, 234
  - matter, duties on, 132, 133
  - mediums, 114, 121
  - novelties, appreciated by dealers, 99
  - pictures, blunders in, 123
  - principles and methods, 113-116
  - room for improvement, 111
  - successful copy plan of one American corporation, 122
  - themes in South America and at home, 117, 118
  - used in buying Latin American products, 191, 192
- Agricultural implements, need for special, 157
- Agriculture, opportunities restricted, 88
  - primitive nature of South American, 33, 34
- Agriculture, South American characteristics, 239-249
- "American," when an American is not, 144
- American advertising skill admired, 115
  - financial supervision in Panama, 282, 283
  - methods, needed in South American distribution, 93
  - methods, South American interest in, 103
  - misconceptions of Southern Continent, 183-185
  - news in South America, 176-179
- Americans, misrepresentative, 220, 221
  - what South Americans think of, 175-186
  - who prefer Latin countries, 216
- Amazon "basin" region, 25, 26
  - Indians and negroes, 26
  - products, 27
  - rubber industry, 190
- Andes, a growing mountain system, 21, 22
- Army of the, 253, 254
- highest Indian civilization developed along, 23
- San Martín's cowboy army of, 29
- San Martín's passage of, 254

- Animals, lack of domestic before white conquest, 22  
     prehistoric South American, 22  
 Annexation, fear of, in Latin America, 279, 280  
 Appearance, Latin American pride in, 120  
 Araucanian Indians, 259, 260  
 Arco-Verde, Brazilian Indian chief, 266  
 Argentina, British efforts to conquer, 165  
     Declaration of Independence, 262  
     great size of, 17  
     history, 254  
     larger than Mexico and Central America, 20  
     railroad difficulties, 149-152  
 Argentino, the, as a spender, 103, 104  
 Artigas, José, 29, 252-254  
     biography of, 256, 257  
 "Asencio, Grito de," 256  
 Attorney, power of, 224-227  
     ower of, what should be included in, 227-232  
 Automobile, 15, 16, 115, 246  
     American, sales in South America, 14  
     European, 119  
     sales by creating good road sentiment, 119  
     salesman's policy for developing territory, 15, 16  
     tires, 156, 157, 190  
 Ayacucho, battle of, 262  
  
 Baggage, rough handling, 234  
 Balloon, Brazilian's invention of, 267  
  
 Bank, branch system, 66  
     employees, 216  
     work, opportunities for Americans abroad, 68  
 Banking, British skill in, 166-168  
     business different in South America, 64-68  
     information service for South Americans, 132  
     Latin American methods largely European, 67  
 Banks, American branch, have information service, 58  
     American, use in traveling, 230, 231  
     as sources of information, 95  
     commercial departments, 58-60  
     deposits in American branch by South Americans, 65, 66  
     different organization for world trade, 62-64  
     gather credit information, 57  
     need for our own, 54-68  
     prejudice against our own, 61, 62  
     service in traveling, 237  
     teamwork in advertising, 123, 124  
     thrift demonstration by American branch, 84  
     without branches abroad, 64  
 Baldwin Locomotive Works, 197  
 Barter principle needed in world trade, 197, 198  
 "Basin" and "rim" countries, 23-28  
 Beef, 188

- Beef, chilled, rarely obtainable in South American cities, 194, 195  
trade in, 24
- Beef extract, 24
- Belgrano, Manuel, biography of, 261, 262
- Bello, Andres, 252
- Beltran, Fray Luis, 253, 254
- Book stores, English, in South America, 102
- Books, American, dealing with South America, 184  
American, few sold in South America, 182  
needed in South America tour, 235  
Pan-American, plan for circulation, 182, 183  
small circulation of, South American, 181-183
- Bolívar, Simón de, 29, 250, 251, 252, 254  
biography of, 255, 256, 262
- Bolivia, first president of, 262  
the mountain republic, 28
- Bonds, American investors do not know Southern Continent, 85  
putting South American issues on level with our own, 86  
South American, one form of investment, 84
- Brazil, 17  
cattle industry, 24  
distributing methods in southern states of, 92  
first silo erected in, 246, 247  
history of, 263-268
- Brazil, larger than United States, 1  
mixtures of blood, 44  
opened to trade, 29  
peculiarities of trade, 196  
railroad difficulties, 148-153  
rubber, 190  
size of, 20  
three separate countries originally, 264-266  
two countries from business standpoint, 27  
wild products, 34
- Brazilian law, 225-227  
republic proclaimed, 264  
tolerance, 212
- Breakfast, going home to noon, 98
- British, adaptation to South American methods, 92  
conservatism in retailing, 107, 108  
conservatism in language, 200, 201  
enterprise in developing plantation rubber, 189, 190  
homely motto, 16  
influence, 102  
investments in Argentina, 82  
moving pictures, 180  
philosophy of business, 170, 171  
prestige in South America, 166, 167  
solidity and financial skill, 163-168  
volunteers from South America, 168  
what South Americans expect from, 118
- Brown, Admiral, 256, 257

- Buenos Aires and Lima,  
founded nearly 100 years  
before Pilgrims, 33
- Buenos Aires, savings cam-  
paign in, 84
- Building, American ideas ap-  
preciated, 119
- materials, American, in  
Lima opera house, 12
- Bull fighting, 101
- Business, best relationship  
with South America, 15
- handicaps in South Amer-  
ica, 127-130
- need for balance, 187-198
- Business cards, kind used  
in South America, 235,  
236
- Business men, American,  
needed to study countries,  
87
- executive, in South Amer-  
ica, 206, 207
- Business methods, 82, 127-  
147
- differ in each country, 21
- information about, in United  
States, 94-86
- Business skill, South Ameri-  
cans, 129
- Business woman, an American  
in Rio de Janeiro, 97, 98
- Buying, importance of, 187-  
198
- opportunities for creative,  
112
- Peruvian cotton, 192
- Cables, 237
- efforts to establish Ameri-  
can service, 169
- Cabral, Captain Pedro, 265
- Cacao, 190, 191
- Camarao, 267
- Canada, compared with South  
America, 20
- Canal Zone, as object lesson  
to South Americans, 269-  
285
- Capital, 41
- lack of, 68
- South America "capital  
poor," 55
- South American view of  
foreign, 81, 82
- Cash before shipping, injus-  
tice of demand for, 130,  
131
- Catalogues, care in mailing,  
134, 135
- Cattle, Brazil's undeveloped  
region, 1
- industry, developing in Bra-  
zil and Paraguay, 24
- wild herds, 23-45
- Caupolican, Araucanian war-  
rior, 259, 260
- Caupolican and Lautero,  
Chilean Indian military  
leaders, 45, 259-260
- Céara, settlement and enter-  
prise, 44, 45
- Central America, commer-  
cially most remote,  
94
- different from South Amer-  
ica, 28, 29
- revolutions, 41
- six little countries of, 28
- Chambers of Commerce,  
American abroad, 100
- American, in South Amer-  
ica, 95
- support of American, 100
- Checks, not yet widely used in  
South America, 66, 67
- South American routine,  
67

- Checking account for travelers, 231  
 Chewing gum, 189  
 Chile, 189  
 Chile, Araucanian Indian tincture, 45  
     continental conception of her railroading, 153  
     flag of, 260  
     has ample rainfall, 26  
     independence won, 254  
     language academy in, 204  
     only revolution since independence, 84  
     products, 26  
     railroad difficulties, 149-153  
     story of financial honor, 84  
 Chilean language, 204  
     national library, 181  
 Chileans, the Yankees of South America, 45  
 Chocolate, 190, 191  
 Climate, 228, 229, 246  
     rainless West Coast, 26  
     temperate character of South American, 25  
 Clothing, American ready-made, needed in South America, 228, 229  
     interest in our ready-made, 120  
     room for improvement in South American, 105, 106  
 Cochrane, Admiral Thomas, 251, 254  
     biography of, 258, 259  
 Coffee, 196  
     commission on our trade, 59  
     our largest single purchase, 193  
     planting system, 34  
 Coffee, San Francisco's imports, 191, 192  
 Colombia, land of emeralds, 28  
 Color, 43  
     among South American people, 20  
     line, 44  
     prejudice, 44-46  
     South American mixture promises energy, 46  
     white skins a recent fashion, 46  
 Comfort, 37, 275  
     American, in Argentina, 245  
     appreciation of Yankee, 119  
 Competition, hard words on the firing line, 164, 165, 169  
 Competitor, our greatest in world trade, 107  
 Competitors, 69, 70, 73, 160, 174, 177  
 Community spirit, lack of local, 35  
 Computing scales, introduction of, 118, 119  
 Conservatism of South Americans, 129  
 Continental methods, why South America needs, 148, 159  
 Contracts, 53  
     salesmen should always make before going abroad, 15  
 Corn beef, Paraguayan, 188  
 Corporations, large American concerns can finance their own exports, 10  
     most skillful in world trade, 13

- Correspondence, advantage of knowing Spanish, 209, 210
- Cost of South American tour, 230
- Cotton, mill, American, direct buying in Peru, 192
- rough Peruvian, 192
- Counter displays in South America, 97
- Country store organization for trade, 91-93
- Courtesy, difference of South and North American viewpoint, 141, 142
- Latin American, 32, 39-41, 127, 136, 147, 207, 208, 233
- Courtesies, overlooking the, 160
- Credit information, 57, 131
- letter of, 229-231
- terms, liberal policy of American piano house, 131
- Cruz, Señor Carlos Silva, 181, 182
- Cuba, 28
- big paint customer, 2
- Cubans in our world trade, 200
- Culture, South American, 32, 33, 51, 176
- Customs "despechante" or broker, 133
- difficulties of South Americans, 133
- duties on samples and advertising, prepaying, 135, 231, 232
- duties on typewriter, 236
- duties, paid in cash, 67
- parcel post complications, 134, 135
- Customs, regulations, 52
- tedious routine, 128
- Danger, economic, ahead for South American countries, 42
- Darwin, his theory of South American isolation, 22
- "Voyage of the *Beagle*," 30
- Dealer helps in South American distribution, 96-100
- Democracy, South American, 37-39
- Demonstration, selling the man behind the counter, 96
- Department stores, 90, 92, 107, 109
- British in South America, 102
- opportunities for American, 104
- Dias, Henrique, Brazilian negro captain, 267
- Disappointment, 215-217
- Distance, astonishes Yankees in South America, 20
- factor in traveling, 236, 237
- handicaps of, 21, 76-78, 127-130, 136
- shortened between American manufacturer and South American merchant, 99, 100
- Distribution, 90, 100
- difficulties of improving, 112
- outlets for goods come first, 116
- Documents, legal, 224-227
- Dollar, the American, export-

- ing to South America, 84-89
- Dom Joao V, of Portugal, 267
- Dom Joao VI, of Portugal, 263
- Dom Pedro I, of Brazil, 263, 264
- Dom Pedro II, Emperor of Brazil, 29, 263, 264
- "Don'ts," thirty, about Latin American trade, 145-147
- Drafts, adjusting to exchange fluctuations, 64, 65
- routine of, 61-63
- Earning power, increase needed in Latin America, 284, 285
- East Coast freight conditions, 75
- Economic unrest in South America, 42
- Ecuador, the land of volcanoes, 19, 28
- Education, backwardness in South America, 33, 36
- "Education" needed most by ourselves, 16
- Eggs, opportunity for reciprocal trade, 195
- Elevators, American, 156
- "El Supremo," 184, 185
- "Emerald Chaser," the, 268
- Emeralds, 264
- Engineering, 52
- English, being studied in South America, 52
- can be used for legal documents, 226
- fashions and sports on Southern Continent, 101
- Enterprise, American, in establishing branch banks, 55
- Ercilla, Alonzo de, Chilean author, 260
- Exchange, British advantages in adverse balance, 167
- effect on export and import business, 64, 65
- financial, 56, 57, 59, 230, 231
- London market for bills, 167, 168
- odd result in bank routine, 64, 65
- speculation in, 61, 137
- Executives, American should visit South America, 221
- Exile of South American patriots, 254
- Export houses, indispensable for smaller markets, 10
- large concerns in United States, 94, 95
- mushroom, 11
- solidity of old American, 129, 130
- Export, opportunities for American ready-made garments, 105, 106
- opportunities for New England and Middle West, 106, 107
- Exporting, mistake to think it easy, 11
- Exports, a matter of necessity, not choice, 14
- American farm products, 248, 249
- American, to South America, 6
- must be financed, 55
- only part of our world trade, 5
- our bulky, 195
- our one-sided views about, 187-198

- Exports, to sell more, we must lend more, 86  
two general classes of American, 117, 118
- Exposition, retail stores as permanent, 108
- Express companies, American service in handling catalogues and samples, 135, 231, 232  
American, service in traveling, 231  
service needed in world trade, 76, 77
- "Extension shop," as a factor in Latin American trade, 110
- European ideas, often inadequate for South America, 148-153
- European influence through news and books, 177-182
- Family, as a South American institution, 50, 51, 83, 109
- Farmer, American and South American contrasted, 239-242  
South American, 239-249
- Farm products, American, market for, 248, 249  
American, ships needed to sell abroad, 69, 70  
our sales to South America, 14
- Fastidiousness of the South American, 141
- Federal Reserve System, compared with London bill market, 167, 168
- Finance, advantages in using American banks, 60-62
- Finance, American "trusts" have money for world trade, 13  
business done with expensive capital, 99  
chief difficulty in South American community development, 36  
difficulty in improvement, 37, 38  
government, in Panama, 282, 283  
loss through inflexible documents, 130  
romance no basis for South American investment, 84  
South America "capital poor," 55  
unwise South American borrowing in past, 83, 84
- Fines by customs officials, 133
- Five-and-ten-cent stores, opportunities for American, 104, 112
- Flour, 193
- "Foreign exploitation," 82
- Foreign export houses, 12
- Foreign shipping tactics, 71, 72
- France, fourth in Latin American business, 172  
South America's intellectual godmother, 51
- Francia, José Rodríguez de, 257  
biography of, 262, 263
- Free land, little in South America, 241, 242
- Freight, "blind alley" conditions, 75
- European equipment, not adequate for South American traffic, 150-152, 153



- Freight, more fine cargo  
needed, 73, 74  
peculiarities of, South  
American, 74, 75  
rates depend on teamwork,  
73-78
- French culture in South  
America, 101
- French, South America's  
other language, 52, 102
- Friendship and personality in  
Latin-American business,  
67, 68, 128, 129
- Fruit, American, opportuni-  
ties for, 248, 249
- Fruit and vegetables, South  
America's need for better  
distribution and export  
facilities, 151
- Garment trade, opportunities  
for, 105, 106
- Gaicho, Argentino and Uru-  
guayan, 30, 34, 45
- Geography, South American,  
17-30, 148, 228, 229  
knowledge of, needed in in-  
vestment, 85
- Geology, South American, 21-  
27
- German, cameras *vs.* Ameri-  
can, 96  
control of Peruvian cotton,  
192  
enterprise during and after  
the war, 162, 163  
influence, 178  
organization in Latin Amer-  
ica still strong, 171, 172  
selling helps, 97
- Germans, what South Ameri-  
cans expect from, 118
- Germany, adaptation to South  
American methods, 92
- Germany, razor trade in  
Argentina, 8
- Goethals, General, 270
- Good will, based on acquaint-  
ance, 185, 186
- Gorgas, General, 284
- Government experts and com-  
missions, 10, 11
- Grain handling, American  
methods needed, 152
- "Grito de Asencio," 256
- Grocer, selling the retail, 97
- Gusmao, Bartholmeu de, the  
"Flying Priest," 267
- Hayti and Santo Domingo  
really African, not Latin,  
28
- History, South American, 29,  
30, 33, 42, 49, 50, 102,  
250, 268
- John Bull's part in South  
American, 165, 166
- Hogs, American development  
of export market, 187,  
188
- Horses, wild herds, 23
- Hotel life, American, appeal  
to South Americans, 275
- Hotels, absence of comfort in  
South America, 274  
South American, room for  
improvement, 108
- "Howlers" in South American  
geography, 17-21
- Humor, sense of, needed in  
South America, 217
- Identity, proving one's legal,  
223-227
- Imagination, needed in export  
trade, 1-16, 31
- Immigrants in South America,  
33, 35, 241, 242

- Implements, farm, needed in South America, 247, 248
- Importer, a hard-headed realist, 7
  - teamwork advertising with the, 116, 117
- Import organization, ramifications of, 90-94
- Imports, importance of, in world trade, 187-198
  - necessary to pay for exports, 6
  - part of export trade, 35
  - we buy more from South America than we sell, 6
- Incas, descendants of, in Peru, Ecuador and Bolivia, 25, 26
  - limited resources of, 23
- Income tax, complications in traveling, 238
- Independence, Brazilian, 263, 264
  - Declaration of, Argentina, 262
  - South American, 251-268
- Indian blood in Central America, 45
  - in South America, 25-44
- Indian military leaders in Chile, 45
  - population largest in Bolivia, Peru and Ecuador, 45
  - wives of first settlers in Brazil, 266
  - words in Portuguese, 212
- Indians, Araucanian in Chile, 26
  - mistake to think of South Americans as, 43
  - range from wild to Parisian education, 44
  - South American, 22
- Indians, two-thirds population Peru and Bolivia, 34
- Influence of Panama Canal in Latin America, 269-285
- Information, confidential, 57, 58
  - giving exact details, 127, 128
  - lack of, about ourselves, 178
  - moving picture, 179, 180
  - needed by South Americans as well as ourselves, 131, 132
- Pan-American, plan for circulation, 182, 183
  - service by American branch banks, 58
- South American, available in United States, 94-96
- South American, needed by travelers, 223-238
  - technical data about our products often lacking, 158, 159
- Interpreters, 40, 200, 207-209
- Investment, working directly with capital, 87
- Investments abroad, earning power of, 79, 80
- Investments, American, in South America, 79-89
  - British, in Argentina, 82
  - British, in Latin America, 79, 80
  - direct business value of, 87
  - largest American on Southern Continent, 187
  - Mexico, 41
  - new view of, 83
  - South American view of foreign, 81, 82
  - the other side of, 80, 81

- Investments, tied up with buying, 193, 194
- to sell more we must lend more, 86
- two distinct angles, 79
- Iquitos, Peru's Atlantic seaport, 21
- Isabel, Princess, of Brazil, 264
- Island republics, the three, 28
- Italy's advantages in Latin America, 172
- Ituzaingó, battle of, 257
- Jamaica, 199
- Japan's efforts in South America, 173, 174
- Job, place to find a South American, 214
- Journalistic attacks on United States, 180, 181
- Junín, battle of, 262
- Kipling, "howler" in Uruguayan fauna, 18
- "La Araucana," Chilean epoch, 260
- Labor troubles, 42
- Land, controlled by upper classes, 35
- lack of local taxation and community spirit, 35
- renting system, 33
- Land owners, South America, 37, 241, 242
- Language, another needed by South Americans for education, 101, 102
- chief difficulties here at home, 200, 202
- English in Panama and Porto Rico, 277
- Language, Latin speech not all flowers, 127, 128
- needed for public opinion as well as business, 206
- not an obstacle, 93
- "picking up" the Spanish, 199-212
- Portuguese, characteristics of, 211, 212
- possibilities for blundering, 122, 123
- value of local translations, 121, 123
- Yankees familiar with Spanish, 199, 200
- Latin America, larger than United States and Canada, 20
- Latin-American "color," 270
- 271
- courtesy, 39-41
- feeling toward Yankees, 277-281
- racers possess more than one-fourth earth's surface, 47
- roots, many in English, 210
- Latin Americans, coming to United States, 278
- Lautero and Caupolican, Chilean Indian military leaders, 45
- Lautero, Araucanian military genius, 260
- Lavalleja, Colonel Juan Antonio, 251
- biography of, 257
- Lead pencil, clever introduction of, 123
- Legal Nobody, the, 3, 224-226
- Leme, Fernando Dias, the "Emerald Chaser," 268
- Letter of credit, advantages of American, 61

- Lima and Buenos Aires  
founded nearly 100 years  
before Pilgrims, 33
- Lima and Quito, only South  
American cities west of  
New York, 19
- Literature, Latin - American  
problem, 181-183
- South American, 51, 52
- Locomotive Works, Baldwin,  
197
- Lough, William H., classifica-  
tion of South America,  
24
- Luquiens, Professor Freder-  
ick B., 205, 206
- Machinery, difference between  
European and our own,  
158
- South Americans' lack of  
experience with, 154-157
- Madeira-Mamoré railroad, 26
- Mail, arrangements for, while  
traveling, 236, 237
- "Mañana" not all in South  
America, 136
- Manners, philosophy of, in  
South America, 39-41
- Manufacturers, not always di-  
rect exporters, 9, 10
- Maranhao, Lorrenco de Albu-  
querque, Brazil's first  
general, 266
- Markets for manufacturers,  
244
- Materials, raw, our industries  
use Latin American, 189-  
191
- Meat, large American invest-  
ments in, 86
- packing, 13, 187, 188, 193-  
195
- Meat, South American local  
peculiarities, 194, 195
- specialties, 194
- Meeting places, South Amer-  
ica lacks, 108, 109
- "Memory pegs" for South  
American countries, 27-29
- Mendoza, city of, 253, 254
- Mercantile houses, large  
American investments in,  
86
- methods, 90, 100
- Merchandise, diversified char-  
acter of, 91-93
- fascination of, 110, 111
- Merchant Marine act, United  
States, 71
- Merchant Marine, an indis-  
pensable tool in world  
trade, 70-78
- needs men and money as  
well as ships, 72
- Merchants, information about,  
available in United States,  
94-96
- Methodist, delegate from Ar-  
gentina, 17
- Metric system, 142
- Mexico, 28, 41
- Yankees from, 200
- Middle class, absence of, in  
South America, 242
- Mining, large American in-  
vestments in, 86
- Miranda, Francisco de, 29,  
252, 255
- biography of, 260, 261
- Momsen, Dr. Richard P., 226,  
227
- Money, arrangements in trav-  
eling, 229-231
- Monroe Doctrine, 278
- Montevideo, 17
- south of Buenos Aires, 21

- Moreno, Mariano, 29, 252, 254  
     biography of, 261  
 Mountains, East Coast range, 22  
 Movie "fans" in South America, 98  
 Movies, still in "store stage," 108  
 Moving pictures, American, in South America, 13  
     information value, 179, 180  
 Munitions, for Army of Andes, 253, 254  
  
 Names, Latin American, often puzzle visitors, 142, 143  
 Napoleon, 263, 264  
     only letter in English, 204  
 Nationality, doesn't always govern world trade, 161  
     each industrial country has its advantages, 170, 171  
 Negreiros, André Vidal de, Brazilian general, 266, 267  
 Negro blood in South America, 25  
 Negro, two Latin American republics really African, 28  
 Negroes, freed in Brazil, 264  
     only three South American countries have, 43  
 "Nest of the Argentino Eagle," 253, 254  
 News, American press service to South America, 14  
     anti-American, 175, 280, 281  
 Newspapers in Latin America, 121, 124, 176-181  
 Newspapers, reading Spanish American, 204  
  
 Nobody, Legal, the, 224-226  
 North Coast "rim" region, 25  
  
 O'Higgins, Ambrose, 257, 258  
 O'Higgins, Bernardo, 250, 251, 254, 256-258  
 Open accounts, a convenience to South Americans, 129-131  
 Opera seats, American, story of misrepresentation, 12, 13  
 Opportunities in South America, 213-223  
 Oranges, 248  
  
 Packages, as sales helps for merchants, 98, 99  
     damage through unsuitable, 139  
     scarcity of, 98, 99  
 Packing and packing cases, 137-140  
     complaints about, 13, 14  
     should meet customers' wishes, 132, 133  
 Paint, Cuba's purchases, 2  
 Panama Canal, 17, 19  
     as an American achievement, 269-285  
     Chile alive to possibilities of, 153  
     opens South America's back door, 26  
     sending Brazilian soldiers through, 17  
 Panama City, 277  
 Panama, Republic of, enterprise, 281, 282  
 Pan-Americanism, 278  
 Pan-American railroads, several developing, 19  
 Paraguay, a future Argentina, 28

- Paraguay, American interest  
     in novel about, 184, 185  
     cattle industry, 24  
     meat packing in, 188  
 Parcel post not always desirable business method,  
     133-136  
 Patriots, South American,  
     251-268  
 Pedro, Dom I, 263  
 Pedro, Dom II, 263-264  
 People, South American,  
     backwardness in living  
     conditions, 33-36  
     South American, what they  
     are like, 31  
 Persistence in world trade,  
     16  
 Personal dignity of Latin  
     Americans, 143  
 Personality and friendship in  
     Latin American business,  
     67, 68  
 Peru, 19-28  
     purchases of building ma-  
     terial for opera house, 12  
     railroads, 149-153  
     seaport to Atlantic, 20  
     Spanish exploitation, 23  
 Philippines, Yankees from,  
     200  
 Pictures, as dealer helps, 98  
 Pilfering of goods in transit,  
     138  
 Pinzon, 264  
 Pizzaro, 264  
 Plata, River, "basin" of, 25  
 Policy, constructive plan  
     needed for world trade,  
     15, 138  
 Politics and the South Ameri-  
     can peasant, 244  
     our lack of knowledge about  
     Latin American, 184  
 Politics, status of South  
     American countries, 37  
 Population, negro, 43  
     South America has two-  
     thirds that of United  
     States and Canada, 20  
 Porto Rico, 277  
     Yankees from, 200  
 Portugal, small influence in  
     South American trade,  
     101  
 Portuguese conquest of Brazil,  
     23  
     forty per cent of South  
     Americans speak, 202  
     influence in Brazil, 172, 173  
     language, 4, 20  
     language, few Americans  
     study, 210  
     more difficult than Spanish,  
     211  
     of the Yankee characteris-  
     tics, 50  
     the language of Brazil, 20-  
     27  
 Positions in business, South  
     American, 214-219  
 Postage, how to handle export  
     mail here at home, 135,  
     136  
     irritation of underpayment,  
     135, 136  
 Postal service, improvements  
     needed, 11  
 Power of attorney, 224-226,  
     227  
     what should be included,  
     227-232  
 Premiums, appreciated by  
     dealer, 99  
 Prescott's "Conquest of Peru,"  
     a basic work, 30  
 Printed matter, duties on,  
     135, 233, 234

- Printing, difficulties in commercial, 125, 126  
 Products, South American, our purchases of, 187-198  
 Profit margins, large in South America, 99  
     opportunity to decrease, 105-107  
 Progress, South American not yet industrial, 51  
     signs of rapid, 36  
 Propaganda, 177, 178, 280, 281  
 Public opinion, lacking in South America, 243  
*Puchero*, recipe for, 3  
 Purchases, American, in Latin America, 191  
 Purchasing agent, province in world trade, 197, 198  
     power, South American, 196, 197, 244, 245  
  
 Quito and Lima only South American cities west of New York, 19  
  
 Races, mixture of, in Brazil, 266  
 Railroads, 52, 80, 82, 88, 272, 273  
     Chilean, 283  
     difficulties due to lack of technical training, 154  
     few between South American countries, 149, 150  
     European vs. American principles, 148-153  
 Railroad equipment, 197  
     Madeira-Mamoré, 26  
 Railroading, opportunities for Americans, 153  
  
 Raw materials, South American, necessary to our industry, 6  
 Razors, opportunity in Argentina for American, 8  
 Refrigeration and refrigerator cars lacking in South America, 151, 152  
     needed on American ships, 195  
 Repairman, problem of the, 158  
 Representatives, selecting suitable, 218-220  
 Resources, development of South American, 198  
 Retail distribution, 90-100  
     methods, American, opportunities for, 104, 105  
 Retailer, French and British in South America, 102  
 Revolution, Chile's only, 84  
 Revolutions, Brazilian, 263, 264, 267, 268  
     Latin American, 32  
     South American, 251, 252  
     very few in South America proper, 41, 42  
 "Rim" and "basin" countries, 23-28  
 Rio de Janeiro, a land-locked city, 31  
     older than New York, 33  
 Riviera, General Fructuoso, 257  
 Roads, 246, 274  
     needed for developing South America, 17, 31, 36  
     Panama's system, 282  
 Rodridguez, Simon, 255  
 Romance of South America, 4  
 Roosevelt, Colonel, 184  
 Root, Secretary, 184, 250

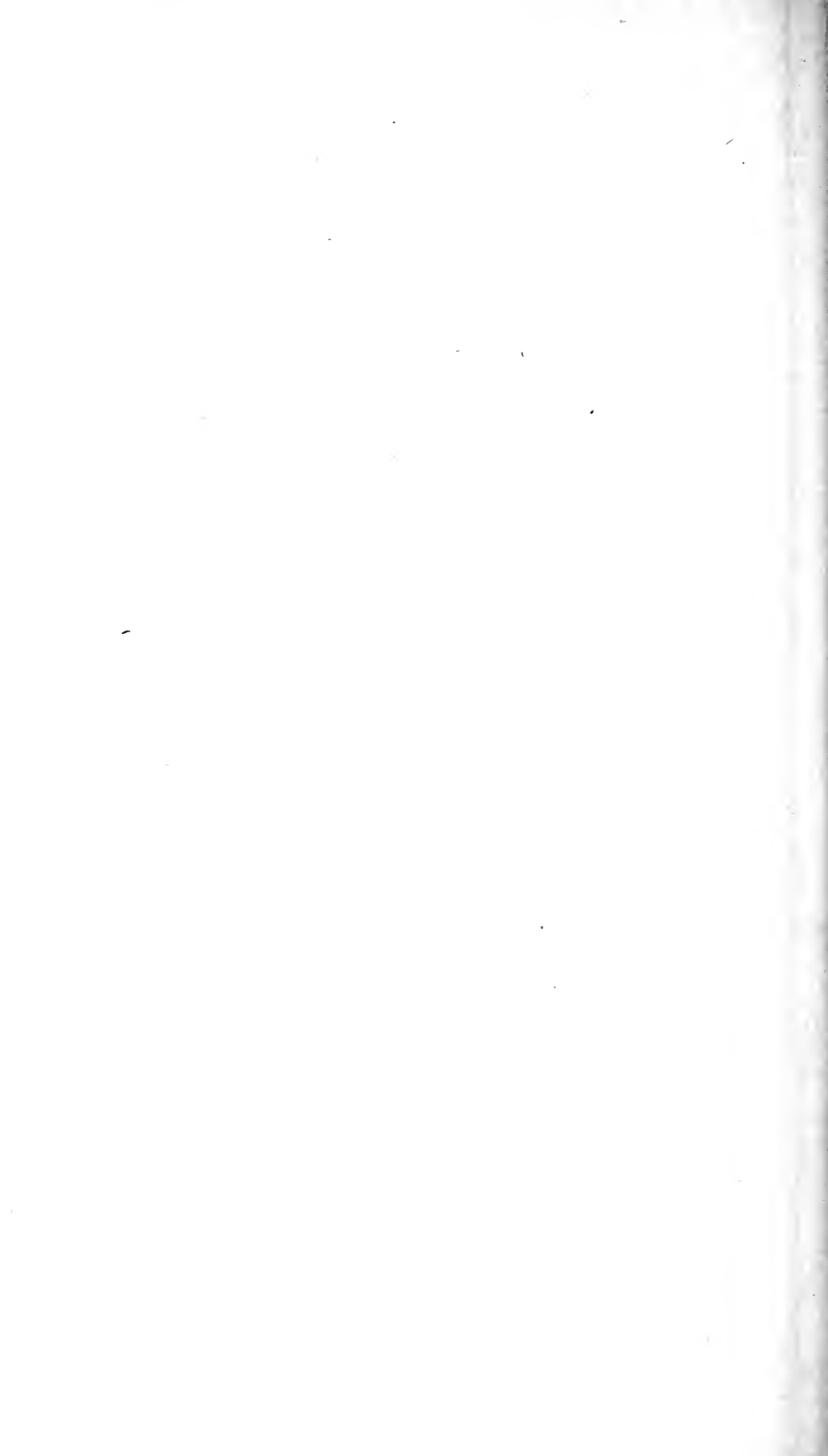
- Rotary Club in South America, 95, 143  
 Route for covering South America, 221-223  
 Rubber, 190, 193, 196  
     British plantation, 189, 190  
 Rubber gatherers, 26  
  
 Sales helps, our advantage in, 97-100  
     practical test by demonstrator, 96  
     quota, wrong basis for selling, 9  
     work, the basis of distribution, 116  
 Salesmen, American speaking Spanish, 209  
     little opportunity for specialty, 128  
     taxes on, 231  
 Sal-soda, creating a market for, 97  
 Sample, the Canal Zone as a, 269-285  
 Samples, appreciated by dealer, 99  
     customs house regulations, 231, 232  
     Latin-American philosophy of, 232, 233  
     may involve difficulties, 134, 135  
     not a substitute for connections, 116  
     substitutes for, 233  
 San Francisco, imports of coffee, 191  
 Sanitation, 36  
     American, in Ecuador, 283  
     American, in Panama Canal Zone, 275, 276  
  
 San Martín, José, 29, 250-251  
     biography of, 252-254, 256, 258  
 Santiago de Chile, older than New York, 33  
 Santo Domingo and Hayti, really African, not Latin, 28  
 Seasons, opportunities in reversed, 195  
 Seclusion of South American women, 109  
 Selling, respect for sensitiveness, 50  
     should go hand in hand with technical training, 155-159  
 Sensitiveness, South American, 129  
 Service, a big factor in world trade, 76-78  
     more effective than nationality, 161, 162  
 Shipping cases, how to make thief proof, 138, 139  
     difficulties, 69  
     documents, 58, 129  
     instructions, why they should be followed literally, 132, 133  
 Ships, keeping them busy, 72, 73  
     need for our own delivery wagons in world trade, 69-78  
     passenger facilities for our customers abroad, 70  
     service more important than ships, 77, 78  
     should be backed with teamwork, 72  
 Ship subsidies, 71  
 Silos, 246, 247



- Silos, absence of, in South America, 246, 247
- Slang, Latin American, lends force to advertising, 122
- Slavery, Abolition of Brazilian, 264
- South America, American interest in, 213, 214  
 compared with our western states, 92  
 cost of touring, 230  
 faces the future, not the past, 47, 48  
 formerly two continents, 22  
 its richness in resources, 79  
 lacks experience in material development, 83  
 national jealousies, 24  
 nations do little business with each other, 24, 89  
 peopled by Latin Yankees, 48-50  
 population, 20  
 relationship to our continent, 18, 19  
 size and population, 19, 20  
 touring, 221, 223  
 what is needed for traveling, 224, 238  
 what it is like, 17-30, 31-53
- South American countries, what they are like, 31  
 farmer, 239-249  
 government often autocratic, 37, 38  
 history, 250-268  
 his real motherland, 101  
 interest in Panama Canal, 269-285  
 living standards, 89  
 local industries, 87  
 news, little in our newspapers, 184
- South American, people, what they are like, 31  
 public contrasted with our own, 113-116
- Spain, is she declining? 46, 47
- Spanish influence in Latin American business, 101, 172  
 language, needed for understanding as well as business, 206  
 last stronghold in South America, 262  
 not an easy language, 202, 203  
 not a substitute for Portuguese, 211  
 "picking up," 199-212  
 restrictions in South America, 251  
 rule, end of, 29  
 variations in South America, 204, 205
- Speculation in imported goods, 137
- "Speeding up" our business in South America, 76-78
- Sports in South America, 101
- Stationery, costly in South America, 235
- "Steamer day," importance of, 128
- Steamship service, 173  
 best to West Coast, 94  
 effect of irregular, on prices, 137  
 Europe to South America, 92
- Steamships, return cargoes, 195, 196  
 triangular routing, 192, 193  
 West Coast service, 283

- Steel huts, sold in Argentina, 245
- Sucre, Antonio José de, 29, 252-254  
biography of, 262
- Swine, American development of export market, 187, 188
- Tariff, Brazilian, preferences to United States, 193  
complications, 133  
on printed matter, 233, 234
- "Tasajo," 188
- Taxation, lack of local, 35  
on Brazilian potatoes, 89
- Taxes, on salesmen, 231
- Teachability of Latin Americans, 155-159
- Teamwork, 100
- Tebyriçá, 266
- Technical aid needed by South Americans, 155-159  
books, American, sold on Southern Continent, 182  
knowledge, needed in South America, 38  
opportunities in South America, 216, 217  
terms, difficulties of translation, 208, 209  
training, South Americans seek in United States, 154
- Terry, "Short Cut to Spanish," 205
- Theft of goods, in transit, 138  
of goods, practical demonstration by a thief, 138
- Thrift, developing in Argentina, 84
- Time, not considered important in Latin America, 118, 136
- Tipping and commissions, 52, 53
- "Tiradentes," Brazilian political martyr, 267, 268
- Tobacco, neglect of trade by Americans, 112
- Tools of trade, 54-128
- "Tooth Puller," the, Brazilian patriot, 268
- Touring South America, best way of getting acquainted, 93  
roughing it up country, 93, 94  
time needed for, 221, 223
- Touring, South American visitors in United States, 103-110
- Trade Marks, breaking down aversion to, 100  
suggestions for registration, 140  
use for a staple product, 97
- Trade should be made rather than taken, 170, 171
- Translations, legal, 224-227
- Traveling, assistance by American banks, 59, 60
- Tropics, Amazon region chief tropical section, 26  
often have temperate climate, 25  
rich undeveloped regions of Peru and Bolivia, 26
- Trust control, fear of and remedy for, 63, 64
- "Trusts," 56-105, 246  
American, most skillful in world trade, 13
- Trunk, office, for traveling, 235
- Trunks for South American tour, 234, 235

- Turnover of merchandise, 90,  
105-107, 111  
small and slow in South  
America, 99
- Typewriter, convenience of,  
in traveling, 236
- United States, best customer  
of Latin America, 7
- Uruguay, a sturdy little coun-  
try, 28-34  
not jungle, 18  
prison system, 38, 39  
"The Purple Land that  
England lost," 165
- Valdivia, 260
- Vauclain, Samuel, 197
- Venezuela, an upland Argen-  
tina, 28
- Viewpoint, getting the South  
American, 100
- Voting, not developed, 37
- War, advantages to British,  
168, 169  
trade, 103, 129, 130, 162
- Wealth, growth of Argen-  
tina's, 103, 104
- West Coast, countries com-  
mercially most remote, 94  
freight conditions, 75, 76  
port handicaps, 69  
rainless, 228, 229  
"rim" region, 25
- White peoples in South Amer-  
ica, 20
- "Who was Who" in South  
America, 250-268
- Window displays in South  
America, 97, 98, 110, 111
- Wives, a factor in sending  
men abroad, 219, 220
- Women, American, in South  
America, 219, 220  
American, opportunity for  
in South America, 215  
Awakening of South Ameri-  
can, 109
- Women's suffrage, 39
- Women, traveling essentials,  
229
- Woods and lumber, South  
American, 27
- World citizens needed in  
world trade, 220
- "Xarque," 188
- Xavier, Joaquim José da  
Silva ("Tiradentes"),  
267, 268
- Yankee directness, liked by  
South Americans, 40, 41
- "Yankee peril," the, 176, 183
- Yankee, the South American,  
48-50  
without an appellative in  
Latin America, 144
- Yankees, better understand-  
ing of, since war, 175-186  
material progress admired,  
51  
new South American inter-  
est in, 102, 103  
South American feeling to-  
wards, 277-281  
what South Americans ex-  
pect from, 118  
what South Americans  
think of, 175-186
- Zahm, Father J. A., South  
American books, 30  
quoted, 47, 48





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